NO. 75-1134

FEB 11 1976

MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM 1975

USM CORPORATION,
Petitioner,

V.

THE SCHLEGEL MANUFACTURING COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

RICHARD B. MEGLEY
AUBREY C. BRINE
USM Corporation
Elliott Street
Beverly, MA 01915
617 — 927-4200

TABLE OF CONTENTS

Page

OPINIONS BELOW 1

JURISDICTION 1

QUESTIONS PRESENTED 1

THE NATURE OF THE CASE 2

THE COURSE OF PROCEEDINGS 2

REASONS FOR GRANTING THE WRIT 5

1. The Public Interest in Allowing Challenge to Patent Monopolies On Ideas Which are in Reality a Part of the Public Domain 5

2. The Decision Below Conflicts with Decisions of Other Circuits On the Res Judicata Effect of Consent Decrees 7

3. The Public Interest in Confining a Limited Patent Monopoly Within the Scope of Claims Granted by the Patent Office 9

4. The Decision Below Conflicts with Other Decisions Both Within and Without the Sixth Circuit 11

5. Respondent Misused Its Patent in Suit by Using it to Exact from Petitioner an Estoppel Not to Contest Respondent's Foreign Patents and a Foreign Patent Application 12

6. The District Court's Reversible Error in Refusing to Admit Evidence to Ascertain the Meaning of Ambiguous Language in the Consent Decree 14

CONCLUSIONS 16

TABLE OF AUTHORITIES

Cases: Page

American Saint Gobain Corp. v. Armstrong Glass Co., 434 F. 2d 1216 (6th Cir. 1970) 11
Artvale, Inc. v. Rugley Fabrics Corp. 303 F. 2d 283 (2nd Cir. 1962) 15
Aurora Products Corp. v. Peerless Playthings Co., Inc., 179 USPQ 146 (S.D.N.Y., 1972) 15
Automated Building Components, Inc. v. Trueline Truss Co., 318 F. Supp. 1252 (1970) 13
Berlenbach v. Anderson & Thompson Ski Company 329 F. 2d 782 (9th Cir. 1964); cert. den. 379 U.S. 830 14
Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 345 (1971) 7
Broadview Chemical Corp. v. Loctite Corp. 474 F. 2d 1391 (2nd Cir. 1973) 8
Brose v. Sears, Roebuck and Co. 455 F. 2d 763 (5th Cir. 1972) 7
Business Forms Finishing, Inc. v. Carson 452 F. 2d 70 (7th Cir. 1971) 7
Butler v. Denton et al 57 F. Supp. 656 (E.D. Okla., 1944) 15
Butterfield v. Oculus Contact Lens Co. 332 F. Supp. 750 (N.D. Ill., 1971) 7
Carter Products v. Colgate-Palmolive Co. 164 F. Supp. 503 (Md. 1958); Aff'd. 269 F. 2d 299 12
Crane Co. v. Aeroquip Corporation 504 F. 2d 1086 (7th Cir. 1974) 4
Deepsouth Packing Co. v. Laitram Corporation 406 U.S. 518 (1972) 13
Edward Katzinger Co. v. Chicago Metallic Manufacturing Co., 329 U.S. 394 (1947) 13
Field Body Corp. v. Highland Body Manufacturing Co., 13 F. 2d 626 (6th Cir. 1926) 11
General Manufacturing Corp. v. Gray 48 F. 2d 602 (W.D. Okla, 1931) 12

BLEED THROUGH

Cases: Page

Hamilton v. Rogers et al
99 F. Supp. 509 (E.D. Mich., S.D. 1951) 15
Hirs v. Detroit Filter Corporation
424 F. 2d 1040 (6th Cir. 1970) 11
Kraly v. National Distillers and Chemical Corporation
319 F. Supp. 1349 (N.D. Ill. 1970) 7
Kraly v. National Distillers and Chemical Corporation
502 F. 2d 1366 (7th Cir. 1974) 4
L.M. Leathers Sons v. Goldman
252 F. 2d 188 (6th Cir. 1958) 15
Lear, Inc. v. Adkins
395 U.S. 653 (1969) 5
MacGregor v. Westinghouse Electric and Manufacturing Co. 329 U.S. 402 (1947) 13
Marston v. J.C. Penney Co.
324 F. Supp. 889 (E.D. Va. 1971); aff'd
469 F 2d 694 12
Massillon-Cleveland-Akron Sign Co. v. Golden State Advertising Co. 444 F 2d (9th Cir. 1970) 7
Mercoid Corporation v. Mid-Continent Investment Co.
320 U.S. 661 (1944) 13
Morton Salt Company v. G.S. Suppiger Company
314 U.S. 488 (1942) 13
Machman Spring-Filled Corporation v. Kay Manufacturing Company 139 F. 2d 781 (2nd Cir. 1943) 14
Panduit Corporation v. Stahlin Brothers Fibre Works
338 F. Supp. 1240 (W.D. Mich. 1972) aff'd..
Per Curiam 476 F. 2d 1286 (6th Cir. 1973) 11
Pope Manufacturing Co. v. Gormully
144 U.S. 224 (1892) 14
Ransburg Electro-Coating Corporation v. Spiller & Spiller, Inc., 489 F. 2d 974 (7th Cir. 1973) 4
Ransburg Electro-Coating v. Ionic Electrostatic Corp.
395 F. 2d 92 (4th Cir. 1968) 12
Shell Oil Co. v. Barco Corp.
430 F. 2d 998 (8th Cir. 1970) 8

Cases: Page

Sola Electric Co. v. Jefferson Electric Co.
317 U.S. 173 (1942) 13
United States v. Armour & Co.
402 U.S. 673 (1971) 15
United States Gypsum Company v. National
Gypsum Company 352 U.S. 457 (1957) 13
USM Corporation v. Standard Pressed Steel
Company F. 2d (188 USPQ 52) (7th Cir. 1975) . 8
Wachs v. Balsam
38 F. 2d 50 (2nd Cir. 1930) 12
Wadsworth Electric Manufacturing Company v.
Westinghouse Electric and Manufacturing Company
71 F. 2d 850 (6th Cir. 1934) 11
West Virginia Oil & Gas Co., Inc. v. George E.
Breece Lumber Co., Inc.
164 F. Supp. 5 (W.D. La. 1952) 16

NO.

IN THE

Supreme Court of the United States

OCTOBER TERM 1975

USM CORPORATION,
Petitioner,

V.

THE SCHLEGEL MANUFACTURING COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

Petitioner, USM Corporation, respectfully prays that a Writ of Certiorari be granted to review the judgment of the United States Court of Appeals for the Sixth Circuit entered in this cause on September 25, 1975.

OPINIONS BELOW

The Order of the United States District Court for the Sourthern District of Ohio of December 11, 1973, is reported at 369 F. Supp. 650 and printed at *A-12 and its Findings of Fact and Conclusions of Law, and Judgment of September 4, 1974 is reported at 381 F. Supp. 649 and printed at A-16.

The Sixth Circuit Court of Appeals Decision filed September 25, 1975 is reported at 525 F. 2d 775 and printed at A-24 and its Order of November 17, 1975 denying Appellant's Motion to Amend the Court's Opinion and Petition for Rehearing with suggestion for Rehearing En Banc printed at A-44.

JURISDICTION

The Order denying Appellant's Motion to Amend the Circuit Court's Opinion and Petition for Rehearing and suggestion for Rehearing En Banc was entered on November 17, 1975. The present Petition for Certiorari was filed within 90 days of the aforesaid Order.

This Court's jurisdiction is invoked under Section 1254 of Title 28 of the United States Code.

QUESTIONS PRESENTED

(1) Whether it is contrary to the public interest delineated in Lear v. Adkins to estop a party to a consent decree from challenging the validity of a patent which monopolizes that which is in reality a part of the public domain?

(2) Whether it is contrary to public policy to interpret consent decrees and determine patent infringement in a

---

*A- refers to the Appendix bound with this Petition.

manner to broaden a limited monopoly granted by the Patent Office thereby to snatch from the public domain that which is in reality in its realm?

(3) Whether it is misuse of a United States Patent to use it as a Damocles sword to exact a contractual estoppel not to contest the validity of certain foreign patents and a patent application?

(4) Whether a misuse of a U.S. patent embodied in an agreement settling litigation renders the settlement agreement unenforceable and makes the estoppel of an attendant consent decree a dead letter?

(5) Whether the District Court erred in refusing to consider excluded evidence to determine what the parties intended when they chose the language in the Consent Decree and thereby to ascertain the meaning of ambiguous language in the Consent Decree?

THE NATURE OF THE CASE

This action arises under the Patent Laws for alleged contempt by USM Corporation (hereafter "USM") of the District Court's injunction contained in a Final Judgment (By Consent) entered on February 22, 1972. The basis of the charge of contempt is an alleged infringement of United States Patent No. 3,175,256 entitled "Weather Strip" and issued to Schlegel Manufacturing Company (hereafter "Schlegel") as assignee on March 30, 1965 (hereafter "Horton patent").

THE COURSE OF PROCEEDINGS

On June 23, 1969 Schlegel filed its Complaint charging King Aluminum Corporation with infringement of Schlegel's Horton patent by reason of King Aluminum's sale of weather strip then being manufactured by The Bailey Company which subsequently became The Bailey

Division of USM. On November 11, 1971 Schlegel and USM entered into a settlement agreement (A-1), prior to conduct of discovery or trial on any of the issues. On February 22, 1972 pursuant to the settlement agreement, USM was joined as a co-defendant and on the same date a Final Judgment (By Consent) (A-8) was entered which enjoined USM:

> "From the unauthorized making or using or selling or inducing others to use pile weather stripping having a flexible impervious barrier in the pile *as represented by USM's series 892 and 893*" (emphasis added). (A-10)

Subsequently, USM completed the development of and began to sell a new and different form of weather strip which, in the opinion of USM counsel, was unlike the enjoined series 892 and 893 weather strip and did not infringe the Horton patent, nor violate the District Court's injunction. Schlegel, however, charged the new form of weather strip to be an infringement of the Horton patent and a violation of the injunction, and on May 11, 1973 Schlegel brought a Motion for Contempt. USM filed its Answer to the Motion for Contempt on January 10, 1974 in which it contended that the injunction had not been violated and that its new form of weather strip did not infringe the Horton patent.

In its Order of December 11, 1973, the District Court ruled that the prior Consent Decree barred USM from raising the issue of validity of the Horton patent at the trial of the contempt issue. The trial on Schlegel's Motion for Contempt was held on February 13 and 14, 1974.

On September 4, 1974 the District Court adopted Findings of Fact and Conclusions of Law and entered a Judgment holding that USM's new form of weather strip infringed the claims of the Horton patent and that USM had violated the Court's injunction and was in willful

contempt. At the trial on Contempt, the District Court refused to admit evidence relating to prior negotiations, the settlement agreement and a purchase agreement for the purpose of defining and delineating the meaning of the Consent Decree and what the parties intended by its ambiguous language. The District Court's Findings of Fact and Conclusions of Law further held that USM's Johnson et al Patent No. 3,745,053 was invalid even though this patent was not in issue and was relied upon by USM solely in support of its contention that its new weather strip was not merely a "colorable departure" from the previously enjoined structure.

In a per curiam decision on September 25, 1975 the Sixth Circuit Court of Appeals ruled that the District Court was correct in ruling that the doctrine of res judicata barred USM from contesting the validity of the Horton patent. The Court after making reference to the Seventh Circuit decisions in *Kraly v. National Distillers and Chemical Corp.* 502 F. 2d 1366 (7th Cir. 1974), *Ransburg Electro-Coating Corp. v. Spiller and Spiller, Inc.* 489 F. 2d 974 (7th Cir. 1973) and *Crane Co. v. Aeroquip Corp.* 504 F. 2d 1086, 1092 (7th Cir. 1974) states "We respectfully disagree with the Seventh's Circuit's interpretation of Lear". (A-31)

The Court further held that the findings of infringement by the District Court are not clearly erroneous and require affirmance of the decision on the issue of contempt in USM's manufacture of the accused device wherein the "barrier is not attached to the base" but "is spaced a short distance from the base strip". (A-27)

A dissenting opinion by Chief Judge Phillips submitted that "the record does not contain sufficient evidence from which the consent decree can be construed to have the breadth attributed to it by the District Court and by the majority opinion." (A-39)

REASONS FOR GRANTING THE WRIT

1. The Public Interest in Allowing Challenge to Patent Monopolies On Ideas Which are in Reality a Part of the Public Domain.

This Court's opinion in *Lear v. Adkins*, 395 U.S. 653 (1969) stressed "..the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.." in putting to rest the doctrine of licensee estoppel. This case represents yet another situation in which the same important public interest is thwarted.

It is clear that the only segment of the public with enough economic incentive to challenge the validity of a patent are those who desire to compete by the manufacture and sale of identical or similar products to that which the patent purports to cover. However, until such time as the potential competitor has perceived or achieved that economic incentive by some measure of success in the market place, he must of economic necessity avoid or shed the burdensome expense of defending an infringement action during that period when he may be least able to afford it. See *Lear v. Adkins*, supra..

The manufacturer who has recently assumed the role of potential competitor and is sued for patent infringement has no greater economic incentive to contest the validity of the asserted patent than the manufacturer in the same position who is merely offered a license including an estoppel provision. Why then should the former be precluded from contesting the validity of the asserted patent if he succumbs and accepts a consent decree when the licensee cannot be so estopped? The same economic incentive or desire to avoid an expensive infringement action prevails for both manufacturers. Both manufacturers represent the only public segment having potential future economic motivation to undertake the task of

freeing the public at large from the impositions of an invalid patent monopoly. USM was not offered a license and succumbed to a consent decree dictated by Schlegel. There was no discovery or trial on the issue as USM did not have sufficient economic appetite.

It is submitted that the decision below does not encourage early contests on patent validity but rather provides a vehicle whereby patent owners can foreclose any such contests by instituting litigation at a time when their competitors are least able to assume the financial burden. Indeed, such a strategy has been suggested as a post *Lear v. Adkins* vehicle to effect estoppel by a prominent attorney, now a Federal District Judge, in an article published in *les Nouvelles, Journal of the Licensing Executive Society* (June, 1973, Vol. No. 2, Page 76). The writer states:

> "Ever since *Lear*, I have been telling clients that the only way I could think of to bind the licensee would be first to sue him for infringement, then settle the suit by a consent decree that the patent is valid and infringed, and only then grant him a license under the patent."

If a patent owner is successful in exacting consent decrees barring patent validity contests from each of his potential competitors at a time when the competitors are economically unable to finance a challenge to validity, he will have sanctified his patent for the time when the competitors reach economic maturity with respect to the product.

The public interest in stripping invalid patents of their monopoly requires that a party to a consent decree including an adjudication of patent validity be free to contest validity of that patent.

2. The Decision Below Conflicts With Decisions of Other Circuits On the Res Judicata Effect of Consent Decrees.

The holding of the Court below is inconsistent with decisions of the Seventh Circuit in *Kraly v. The National Distillers and Chemical Corporation*, supra., *Crane Co. v. Aeroquip Corporation*, supra., *Butterfield v. Oculus Contact Lens Co.* 332 F. Supp. 750, 760-761; affirmed per curium 177 USPQ 33 (7th Cir. 1973) and *Business Forms Finishing Service, Inc. v. Carson* 452 F. 2d 70, 75 (7th Cir. 1971). The lower court Kraly decision, *Kraly v. National Distillers and Chemical Corporation* 319 F. Supp. 1349 (N.D. Ill. 1970) was referred to approvingly by this Court in *Blonder-Tongue Laboratories v. University of Illinois Foundation* 402 U.S. at 345, f.n. 43. See also *Massillon-Cleveland-Akron Sign Co. v. Golden State Advertising Co.*, 444 F. 2d 425 (9th Cir. 1970) Cert. denied, 402 U.S. 873 (1971); *Brose v. Sears Roebuck and Company*, 455 F. 2d 763, 767-768, f.n. 7 (5th Cir. 1972). Judge Will's holding in *Butterfield v. Oculus*, supra., to the effect that the thrust of Lear also extended to a consent judgment situation since "the public interest is the paramount consideration" aptly portrays the conflict between the Circuits.

The inconsistency between the Sixth Circuit and Seventh Circuit has been brought sharply into focus by each Circuit's specific reference to the conflict. In its decision of September 4, 1974 in this case the District Court held that the lower court decisions in Kraly, Butterfield, and Crane, supra., were either not controlling or incorrect and elected to follow what it believed to be a "more representative" view of the Seventh Circuit's position in *Ransburg Electro-Plating Corp. v. Spiller and Spiller, Inc.*, supra., which it concluded "has the same basic logic thrust" as the District Courts earlier opinion in its Order of December 11, 1973 (A-23).

The Seventh Circuit had reacted to the District Court's December 11, 1973 Order in this case and expressly

BLEED THROUGH

refuted its interpretation (*Kraly v. National Distillers and Chemical Corporation*, supra):

> "We cannot agree with the *Schlegel* court that *Ransburg* supports the proposition that 'once a party enters a consent decree accepting the validity of a particular patent, that party is estopped from raising the validity issue in subsequent litigation regarding the same parties and the same patent' ".
>
> The Sixth Circuit responded in this case:
>
> "We respectfully disagree with the Seventh Circuit's interpretation of *Lear*. In so holding we are in agreement with the Second Circuit, see Broadview Chemical Corp. v. Loctite Corp., 474 F. 2d 1391, 1395 (2d Cir. 1973), and the Eight Circuit, see United States ex rel. Shell Oil Co. v. Barco Corp., 430 F. 2d 998, 1001-02 (8th Cir. 1970)". (A-31)

The Seventh Circuit in *USM Corporation v. Standard Pressed Steel Co.* F 2d (188 USPQ 52) rebutted in a manner to add further confusion. Apparently overlooking *Butterfield v. Oculus Contact Lens Co.*, supra., the Seventh Circuit surprisingly opined that the res judicata effect of a consent decree adjudicating infringement as well as validity had not been considered by that Circuit.

Unless and until the public policy pronouncement of *Lear v. Adkins*, supra., is held by this Court to have equal equity and effect where a consent decree purports to estop a validity contest, the public will be required to pay tribute to patents which would be found invalid if potential contesters were unbridled from the restraint of their consent decrees. Further, the determination whether the public interest can be pursued by a challenge to validity may well depend solely on the Circuit in which the patentee has found a would be competitor at a time when the challenge is not financially feasible.

UGH

3. The Public Interest in Confining a Limited Patent Monopoly Within the Scope of Claims Granted by the Patent Office.

The Circuit Court in this case held; *with respect to the Horton patent in suit:*

> "The Horton patent discloses a flexible weather strip which is used to seal joints between doors or windows and their surrounding frames. Flexible upstanding pile fibers are secured to a textile base strip, and an impervious barrier as secured along the center of the pile to the base strip. This barrier is described in claim 1 of the Horton patent as follows:
>
> a barrier strip of imperious, flexible sheet material fixed at one edge to said base strip in said pile gap, to project laterally from and extend longitudinally of said base strip to seal and support said fiber bodies". (A-26, 27)
>
> *and with respect to the accused device:*
>
> "However, the Johnson barrier is not attached to the base strip. It is attached to the fibers themselves and the bottom edge of the barrier is spaced a short distance from the base strip". (A-27)

Clearly, the above quoted findings indicate that the accused device does not fall within the language of the claims of the Horton patent in suit. Ergo, there can be no literal infringement of the patent in suit. The Court below nevertheless incorrectly refused to consider prior art and file wrapper estoppel arguments to establish the metes and bounds of equivalents to which the patent might be entitled, if indeed it is valid.

USM was thus precluded from a showing that the patentee had abandoned certain constructions to the

BLEED THROUGH

public domain in the course of prosecution of the patent before the Patent Office. USM was also estopped from showing that the prior art necessitated a narrow interpretation of the Horton patent in suit lest the patentee be bestowed with that which was in reality a part of the public domain.

USM's accused device in this case is significantly different from the device originally held to infringe. In weighing the issue of contempt, the Court below, in essence, compared the modified accused structure to the original structure to determine if they were equivalent. The Court characterized USM's proffer of evidence of prior art and file wrapper estoppel as a collateral attack on the consent decree.

Manifestly, a potential end result of determining patent infringement according to the standard defined by the Court below is to enlarge the scope of the limited patent monopoly granted by the Patent Office. The onerousness and potential affront to the important public interest enunciated in *Lear v. Adkins* is abundantly clear when one considers that USM would be precluded by the Court below from effectively bringing prior art to the Court's attention showing the new accused device in an expired patent thereby to place it in the public domain, or from showing that the patentee abandoned the construction of the new accused device to the public by way of file wrapper estoppel. USM is thereby denied due process as it has never had its day to challenge the newly asserted scope of the patent in suit. USM is left with no recourse but to absent itself as a potential competitor if this standard of infringement is to be applied to any new, modified structure. Surely, this must contradict the public policy favoring free use of ideas not within the scope of valid patents. Certainly, the same important public interest recited in *Lear v. Adkins*, supra., must also demand freedom to challenge the broadening of a limited patent monopoly beyond its granted bounds.

Judge Phillips dissenting opinion states:

> "If the consent decree is given such a broad interpretation, the owner of the patent might receive a monopoly greater than granted by the Patent Office. This could raise a serious question of public policy." (A-39)

The only proper criteria for determining infringement is whether the accused structure infringes the valid scope of the patent claims as determined by the prior art. Determining infringement on any other basis is contra to the public interest.

4. The Decision Below Conflicts With Other Decisions Both Within and Without the Sixth Circuit.

The majority opinion cited *Field Body Manufacturing Company v. Highland Body Manufacturing Company* 13 F. 2d 626 (6th Cir. 1926) ("The question, then, is whether the modified structure is the equivalent of the original in its relation to the patent in suit"); *Wadsworth Electric Manufacturing Co. v. Westinghouse Electric and Manufacturing Co.*, 71 F. 2d 850 (6th Cir. 1934) ("We think it clear that the only issue presented by this appeal is whether the defendant's modified structures infringe the patent claims, and whether their manufacture violates the writ of injuction, and upon that issue neither the court below nor this court need consider the prior art"), and *Panduit Corp. v. Stahlin Brothers Fibre Works, Inc.*, 338 F. Supp. 1246 (W.D. Mich. 1972) aff'd., 476 F. 2d 1286 (6th Cir., 1973).

As noted in Judge Phillips' dissent in the Court below, the majority chose not to follow the more equitable approach set down in *Hirs v. Detroit Filter Corp.* 424 F. 2d 1040, 1041 (6th Cir. 1970) where the Field Body thesis is rejected and a holding of no contempt is affirmed based on traditional infringement considerations. See also *American Saint Gobain Corp. v. Armstrong Glass Co.*, 434 F. 2d 1216 (6th Cir. 1970).

BLEED THROU

A general rule adopted in other circuits is that the accused device must always be judged with reference to the patent claims taking into consideration the prior art: *Wachs v. Balsam*, 38 F. 2d 50 (2nd Cir. 1930); *Carter Products v. Colgate-Palmolive Company*, 164 F. Supp. 503 (Md., 1958), aff'd. 269 F. 2d 299; *Marston v. J. C. Penny Co.*, 324 F. Supp. 889 (E.D. Va., 1971); aff'd. 469 F. 2d 694; *Ransburg Electro-Coating Corp. v. Ionic Electrostatic Corp.*, 395 F 2d 92 (4th Cir. 1968); *General Mfg. Corp. v. Gray*, 48 F. 2d 602 (W.D. Okla. 1931).

Thus, there exists a conflict between the Circuits on this critical issue.

5. Respondent Misused Its Patent in Suit by Using It to Exact from Petitioner An Estoppel Not to Contest Respondent's Foreign Patents and a Foreign Patent Application.

As a condition of settlement of the initial litigation defendant was required to acknowledge infringement of the Horton patent in suit and to agree to forbear from challenging the validity of the patent with respect to its series 892 and 893 weatherstrip (The Court below imposes a broader estoppel under the Consent Decree; see following section). However, as a further condition of settlement, defendant was also required to make the same concessions as to six foreign counterparts (1) of the Horton U.S. patent which were not involved in any way in this litigation. (A-4,5)

This forced recognition of plaintiff's six foreign patents not in suit has the practical effect of preventing defendant

---

(1) The Japanese counterpart was not even a patent but still a pending application. This fact manifests the impropriety of Schlegel's action as USM could not possibly determine the scope and validity of a non-existent Japanese patent. Clearly, that determination could only be made after the patent was issued and a study made of the allowed claims.

ROUGH

from competing with plaintiff in the relevant foreign markets either by exporting U.S. manufactured goods or by manufacturing and selling the goods abroad. This would be so even if the U.S. patent in suit were declared invalid or not infringed. Moreover, defendant would be prevented from reliance on This Court's ruling in *Deepsouth Packing Co. v. Laitram Corp.* 406 U.S. 518 under which it would have the right to export partially manufactured goods and complete the manufacturing abroad, without being in violation of plaintiff's U.S. patent.

Manifestly, the effect of the forced recognition of plaintiff's foreign patents is an illegal attempt by plaintiff to extend its U.S. patent monopoly far beyond the bounds of reason. Such conduct by plaintiff amounts to patent misuse and restraint of trade such as to render plaintiff's U.S. patent in suit unenforceable.

It is well settled by this Court that Courts should withhold their aid to a patent owner who has sought to enlarge the scope of his patent monopoly by contractual commitments exacted from licensees. *Morton Salt Company v. G. S. Suppiger Company,* 314 U.S. 488; *United States Gypsum Co. v. National Gypsum Co.,* 352 U.S. 457; *Mercoid Corporation v. Mid-Continent Investment Co.* 320 U.S. 661; *Sola Electric Co. v. Jefferson Electric Co.* 317 U.S. 173, (1942); *Edward Katzinger Co. v. Chicago Metallic Manufacturing Co.* 329 U.S. 394, (1947); *MacGregor v. Westinghouse Electric and Manufacturing Co.* 329 U.S. 402, (1947). There is no reason either in logic or in authority why this rule should not apply in the case of a non-licensee who is a party to a consent decree.

Misuse is an appropriate defense in a contempt proceeding. *Carter Products v. Colgate-Palmolive Co.,* supra; *Automated Building Components, Inc. v. Trueline Truss Co.* 318 F. Supp. 1252. It has been held also that

BLEED THRO

there is no estoppel to contest the validity of a patent in suit where the agreement involving the patent is itself illegal. *Pope Mfg. Co. v. Gormully*, 144 U.S. 224 (1892); *Nachman Spring-Filled Corp. v. Kay Mfg. Co.* 139 F. 2d 781.

Plaintiff's misuse of the Horton patent in suit is a complete defense to the charge of contempt and warrants an order vacating the consent decree as prayed for by Petitioner in the lower court. *Berlenbach v. Anderson & Thompson Ski Co.* 329 F. 2d 782 (9th Cir. 1964), cert. den. 379 U.S. 830.

6. The District Court's Reversible Error In Refusing To Admit Evidence To Ascertain the Meaning of Ambiguous Language in the Consent Decree.

The Final Judgment (By Consent) of February 22, 1972 (A-8) refers in its opening sentence to the fact that the parties had reached a settlement and agreed to entry of the order:

> "The parties having reached a settlement without a trial of any issue of fact or law, and having agreed to the entry of the following Order as set forth in the annexed Stipulation."

The Settlement Agreement (A-3, 4) provides at Paragraphs 1 and 2:

> "1 *USM agrees that pile weatherstripping having a flexible impervious barrier in the pile, such as that now sold by USM as its series 892 and 893, comes within the scope of the claims of SCHLEGEL's U.S. Letters Patent* No. 3.175,256; its Canadian Letters Patent No. 739,211; its British Letters Patent No. 1,000,753; its West German Letters Patent No. 1,298,697; its application for Japanese Letters Patent No. 17324/69; its New Zealand

Letters Patent No. 132,303; and its Australian Letters Patent No. 255, 461; *it being understood that USM's agreement in this Paragraph shall not be used in construing the patent claims with respect to other USM weatherstripping.* (emphasis added)

2 *USM agrees that it will forebear from exercising its right to challenge the validity of SCHLEGEL's U.S. Letters Patent No.* 3,175.256; its Canadian Letters Patent No. 739,211; its British Letters Patent No. 1,000,753; its West German Letters Patent No. 1,298,697; its application for Japanese Letters Patent No. 17324/69; its New Zealand Letters Patent No. 132,303; and its Australian Letters Patent No. 255,461; *specifically when applied to pile weatherstripping having a flexible impervious barrier in the pile as represented by USM's series 892 and 893; it being understood that this forebearance shall not be considered in construing the scope of any of the claims of the above patents.*(emphasis added)

The Settlement Agreement clearly shows the intent of the parties and the true scope of the consent decree, i.e. the parties intended to and did settle only the charge of infringement by USM's series 892 and 893 weatherstrip and the concessions of infringement and validity were not to be used in construing the scope or validity of the patent with respect to future forms of USM weather strip.

A consent decree should not be expanded by a court beyond that intended by the parties. This is particularly the case where the court has overridden an important public interest in the name of judicial efficiency. See *Hamilton v. Rogers et al* 99 F. Supp. 509 (E.D. Mich., S.D. 1951); *Artvale, Inc. v. Rugley Fabrics Corp.* 303 F. 2d 283, 284 (2nd Cir. 1962); *Butler v. Denton et al* 57 F. Supp. 656 (E.D. Okla., 1944); *United States v. Armour & Co.*, 402 U.S. 673, 681-682 (1971); *L. M. Leathers Sons v. Goldman*, 252 F. 2d 188 (6th Cir. 1958); *Aurora Products*

BLEED THR

Corp. v. Peerless Playthings Co., Inc., 179 USPQ 146 (S.D.N.Y., 1972); *West Virginia Oil & Gas Co., Inc. v. George E. Breece Lumber Co., Inc.* 164 F. Supp. 5 (W.D. La., 1952).

CONCLUSION

Each of the issues raised by Petitioner is directed to the extent of the patent monopoly obtained through the Courts by a patentee through recourse to a consent decree by the parties and is considered to be of importance to the Patent Bar, the Judicial System and the public interest.

For all of the reasons stated, therefore, it is respectfully requested that this Court grant the present petition for a writ of certiorari to the Sixth Circuit Court of Appeals to review the decision below.

Respectfully submitted,

RICHARD B. MEGLEY
AUBREY C. BRINE
USM Corporation
Elliott Street
Beverly, MA 01915
Counsel for Petitioner

SETTLEMENT AGREEMENT

THIS AGREEMENT, made and entered into this 11th day of November, 1971, by and between THE SCHLEGEL MANUFACTURING COMPANY (SCHLEGEL), having its offices and principal place of business at 1555 Jefferson Road, Rochester, New York; and USM CORPORATION, BAILEY DIVISION (USM), having offices and a place of business in Seabrook, New Hampshire:

WITNESSETH:

WHEREAS, there is presently pending in the United States District Court for the Southern District of Ohio, Western Division, a lawsuit entitled The Schlegel Manufacturing Company, Plaintiff, v. King Aluminum Corporation (KING), Defendant, Civil Action No. 3706;

WHEREAS, USM has assumed the full defense of the above lawsuit and is the real party defendant;

WHEREAS, the lawsuit raises the issues of infringement of SCHLEGEL's United States Letters Patent No. 3,175,256, by USM's pile weatherstrip having an impervious, flexible barrier in the pile, such as that sold by USM as its series 892 and 893, and the validity of said SCHLEGEL patent;

WHEREAS, the parties hereto have compromised the issues raised in said suit;

WHEREAS, the parties wish to avoid the burden of litigation;

WHEREAS, SCHLEGEL has Letters Patent and/or applications for Letters Patent in Canada, Great Britain, West Germany, Japan,

New Zealand, and Australia, corresponding to said United States Letters Patent #3,175,256, bearing Nos. 739,211; 1,000,753; 1,298,697; 17324/69; 132,303; and 255,461, respectively; and

WHEREAS, USM having made examination of said United States Letters Patent and/or relevant, available, prior art; and

NOW, THEREFORE, for good and valuable consideration and for the mutual premises set forth herein, the parties hereby agree as follows:

1. USM agrees that pile weather-stripping having a flexible impervious barrier in the pile, such as that now sold by USM as its series 892 and 893, comes within the scope of the claims of SCHLEGEL's U.S. Letters Patent No. 3,175,256; its Canadian

Letters Patent No. 739,211; its British Letters Patent No. 1,000,753; its West German Letters Patent No. 1,298,697; its application for Japanese Letters Patent No. 17324/69; its New Zealand Letters Patent No. 132,303; and its Australian Letters Patent No. 255,461; it being understood that USM's agreement in this paragraph shall not be used in construing the patent claims with respect to other USM weatherstripping.

2. USM agrees that it will forebear from exercising its right to challenge the validity of SCHLEGEL's U.S. Letters Patent No. 3,175,256; its Canadian Letters Patent No. 739,211; its British Letters Patent No. 1,000,753; its West German Letters Patent No. 1,298,697; its application for Japanese Letters Patent No. 17324/69;

its New Zealand Letters Patent No. 132,303; and its Australian Letters Patent No. 255,461; specifically when applied to pile weatherstripping having a flexible impervious barrier in the pile as represented by USM's series 892 and 893; it being understood that this forebearance shall not be considered in construing the scope of any of the claims of the above patents.

3. SCHLEGEL agrees that it will forebear from exercising its right from further prosecuting the above-identified lawsuit against KING ALUMINUM and further from bringing a similar lawsuit against USM for all sales of its series 892 and 893 weatherstripping manufactured prior to the date of this agreement.

4. SCHLEGEL agrees to dispose of its lawsuit against KING in accordance with the Final Judgment and Consent Order executed concurrently herewith.

5. SCHLEGEL waives all claims against USM and KING to its lost profits because of the past infringements arising from the sales of Bailey's pile weather-stripping having a flexible impervious barrier sold as its series 892 and 893 prior to the date of this agreement.

6. SCHLEGEL waives all claims to damages for attorneys' fees and costs arising out of the necessity to bring the action for infringement against the Defendant.

7. USM waives all claims for damages and attorneys' fees in connection with the lawsuit.

IN WITNESS WHEREOF, the parties hereto have executed or caused the execution of this Agreement on the day and year first above written.

THE SCHLEGEL MANUFACTURING COMPANY

By /s/ Richard L. Turner
Name: Richard L. Turner
Title: Chairman and Chief Executive Officer

Attest:

/s/ Joseph J. Doyle
Name: Joseph J. Doyle
Title: Assistant Secretary

USM CORPORATION

By /s/ Thomas D. Welch
Name: Thomas D. Welch
Title: Executive Vice President

Attest:

/s/ William C. Munroe, Jr.
Name: William C. Munroe, Jr.
Title: Assistant Secretary

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

THE SCHLEGEL MANUFACTURING COMPANY,	)	
A Corporation,	)	
Plaintiff,	)	
v.	)	
KING ALUMINUM CORPORATION,	)	CIVIL ACTION NO. 3706
A Corporation,	)	
and	)	
USM CORPORATION,	)	
A Corporation,	)	
Defendants.	)	

FINAL JUDGMENT

(By Consent)

The parties having reached a settlement without a trial of any issue of fact or law, and having agreed to the entry of the following Order as set forth

in the annexed Stipulation:

It is ORDERED, ADJUDGED AND DECREED, as between the parties hereto, that final judgment in favor of the Plaintiff and against the Defendants is hereby granted and ordered entered as the judgment in this action as follows:

1. This Court has jurisdiction of the parties hereto and of the subject matter hereof.

2. Plaintiff, THE SCHLEGEL MANUFACTURING COMPANY, is the owner of United States Letters Patent No. 3,175,256 for "Weather Strip", issued on March 30, 1965, and all rights thereunder.

3. Said Letters Patent No. 3,175,256 is good and valid in law.

4. Each of the Defendants, KING ALUMINUM CORPORATION and USM CORPORATION, by its Bailey Division, individually has infringed said Letters Patent by making and/or selling pile weatherstripping having a flexible, impervious barrier in the pile as represented by USM's series 892 and 893 and embodying the inventions disclosed and claimed therein.

5. Each of the Defendants, its agents, servants, employees, privies, successors and assigns, are hereby permanently enjoined and restrained:

From the unauthorized making or using or selling or inducing others to use pile weatherstripping having a flexible, impervious barrier in the pile as represented by USM's series 892 and 893.

6. The issue with respect to damages, attorneys' fees, costs and related relief having been otherwise determined by Plaintiff and Defendants, no further award is made with respect thereto.

7. No accounting having been ordered, this judgment is made final.

/s/ Carl A. Weinman
United States District Judge

Judgment entered on 22nd day of February, 1972.

/s/
Clerk of the Court

ant, having admitted the validity of plaintiff's patent in the consent decree, was thereafter estopped from raising the issue of validity.

Motion to stay proceedings on motion for contempt denied.

1. Courts ⇐493(2)
Patents ⇐326(4)

In patent infringement action in which, after court entered consent decree, defendant instituted proceedings in another district seeking adjudication of same issues by declaratory judgment, and second court stayed proceedings in deference to first court's jurisdiction, proper forum was first court and proper procedural form was trial of plaintiff's motion to hold defendant in contempt for failing to abid by consent decree.

2. Patents ⇐327(14)

Where defendant in patent infringement action admitted validity of plaintiff's patent for weatherstripping in consent decree, he was thereafter estopped, although other parties were not, from again raising issue of validity of patent.

The SCHLEGEL MANUFACTURING CO., Plaintiff,

v.

KING ALUMINUM CORPORATION, and U S M Corporation, Defendants.

Civ. No. 3706.

United States District Court, S. D. Ohio, W. D.

Dec. 11, 1973.

Patent infringement action. On plaintiff's motion to hold defendant in contempt for failing to obey a consent decree, the District Court, Weinman, J., held that where, after the court had entered the consent decree, defendant instituted a proceeding in another district seeking adjudication of the same issues by declaratory judgment and the second court stayed proceedings in deference to the first court's jurisdiction, the proper forum was the first court and the proper procedural form was trial of plaintiff's motion to hold defendant in contempt for failing to abide by the consent decree; it further held that defend-

Richard H. Evans, Wood, Herron & Evans, Cincinnati, Ohio, for plaintiff.

Lawrence B. Biebel, Dayton, Ohio, for defendant.

ORDER

WEINMAN, District Judge.

This cause came on to be considered pursuant to plaintiff's motion to have the defendants herein held in contempt for alleged violation of the order of this Court in the form of a decree consented to by the parties which was filed in this Court on February 22, 1972. The defendants have moved this Court to stay further proceedings in this Court with regard to plaintiff's motion for contempt, and have instituted a declaratory judgment suit in another forum against the plaintiff in this case. The declara-

tory judgment suit seeks to litigate the issues of patent infringement and patent validity with regard to plaintiff's patent on weatherstripping—the matters at issue in the original suit in this case which were in fact settled in favor of plaintiff by this Court's decree of February 22, 1972. In turn, the original plaintiff has moved this Court to enjoin the defendants herein from proceeding with further action in the foreign forum with regard to their declaratory judgment suit, and has moved that a date be set in this Court for an evidentiary hearing with regard to the motion for contempt now pending in this Court.

It appears to this Court that the numerous manuevers outlined above represent something of a legal tempest in a teapot in that the issues now presented for decision do not really demand the extensive cross filing of briefs, motions, and orders which has heretofore taken place, and the Court now moves to the disposition of these matters, seriatim.

[1] It is a rather basic proposition that a federal court of equity has extensive powers which it may use in aid of its jurisdiction or in order to effectuate its judgments. The parties herein have extensively briefed and argued whether this Court or the foreign forum would be the best place to resolve this controversy. In this Court the proceeding is on a motion for contempt. In the South Carolina District Court the proceeding is in the form of a declaratory judgment action. Since both fora have jurisdiction of the matters before them, the proper choice of a forum ultimately resolves itself into an exercise of the discretion of the Courts involved. This discretion is to be exercised based on sound considerations of judicial policy and fairness to the parties. The particular place where certain events transpired or who won a particular race to a courthouse is not so important as a rational choice of forum made after consideration of numerous factors important to the courts and the parties. These factors include, but are not limited to, the mutual convenience of the parties, their geographical location, the loci of witnesses and exhibits, the familiarity of the Court with the problems involved, the status of the Court's docket, and whether previous litigation in a case has taken place in a particular arena so as to give that court a feeling for and awareness of the issues in a case that another forum might not have.

The order staying proceedings of July 11, 1973, Civil Action 73-644, from the District Court in South Carolina and the transcript of the proceedings which transpired before that court with respect to this matter on July 10, 1973 make it clear that after consideration of the above factors the South Carolina Court deferred to the exercise of this Court's discretion in this case. The South Carolina Court held that the current focus of this controversy is in Ohio in this Court. This Court is in full agreement with the Honorable Court in South Carolina. The defendants admit that resolution of this controversy as to proper forum and procedure is a matter for the exercise of the Court's discretion, but complain that they have no remedy except the South Carolina declaratory judgment suit with regard to this controversy concerning a patent on plaintiff's weatherstripping material. That argument could be viewed by a more skeptical court as an exercise in frivolity, because in view of this Court's decree of February 22, 1972 the obvious remedy for the defendant is to comply in good faith with this Court's order and not to infringe the valid patents of others. The Court, of course, is not expressing an opinion as to whether defendants are in fact infringing any patent, but merely reminds defendants that not all remedies need come from courts. At any rate, this Court now holds that the proper forum for resolution of this dispute is this Court, and that the proper procedural form is in a trial with regard to plaintiff's motion for contempt.

Accordingly, defendants' motion to stay proceedings in this Court pending resolution of the suit in South Carolina should be and hereby is denied. The

motion of plaintiff to enjoin the defendants from further proceedings with regard to this matter in South Carolina is now moot. Further, the plaintiff's motion for contempt is hereby set for trial in this Court on February 12, 1974 at 10 o'clock A.M.

[2] It is further ordered that in the trial on February 12, 1974 the validity of defendants' patent on their modified form of weatherstripping may be placed in issue and adjudicated if that should be necessary to a full and proper decision in this case, and the parties are hereby instructed to plan for the trial accordingly. The issue of whether the modified structure of defendants' infringes or interferes with the valid patent of plaintiff is necessary to proper disposition of this matter also and that matter will, of course, be disposed of at the trial. However, defendants shall not be permitted to raise the issue of the validity of plaintiff's patent on *their* form of weatherstripping. That matter was settled by the consent decree entered by this court on February 22, 1972. The parties and issues are the same in the present proceeding as in the original suit in this matter; indeed, this is in reality a part of the same case. The consent decree is therefore res adjudicata the law of this case, with regard to the validity of plaintiff's original patent. Defendants' argument that the consent decree does not estop them from reopening the validity question as to plaintiff's patent is based on three principal cases. The first of these cases is Business Forms Finishing Service, Inc. v. Carson, 452 F.2d 70 (7th Cir. 1971). This case allowed the question of validity to be reopened in a consent decree case because the question of validity was not actually litigated in the District Court. However, a close reading of the *Carson* case reveals the real basis of the holding as the peculiar set of facts presented to the Seventh Circuit in that particular case. There is no reason to suspect that the case stands for the proposition that the issue of patent validity may always be reopened when it is found pursuant to a consent decree. Defendants next rely on Butterfield v. Oculus Contact Lens Company, 332 F.Supp. 750 (N.D.Ill.1971). That case did allow a consent decree resolving the validity of a patent to be later reopened on the validity issue by the same parties. This is simply an instance where a "hard case" has made some "bad law." The *Butterfield* result is based on that Court's misapprehension of the nature of the public policy underpinnings of Lear, Inc. v. Adkins, 395 U.S. 653, 89 S.Ct. 1902, 23 L.Ed.2d 610 (1969), the third case relied on by defendants to make their point. In the *Lear* case, the Supreme Court dealt with an accommodation of the common law of contracts and the federal law of patents. No consent decree was even involved in *Lear*. The Supreme Court held that federal patent law takes precedence over the common law of contracts where the two are in obvious conflict. The Court was concerned that holders of patents not be able to ward off prospective challenges to the validity of their patents by the use of licensing agreement contracts. The Court based its holding on the public policy consideration that those who hold limited monopolies on a product (i. e., a patent) not be allowed unrestricted use of contracts to perpetuate their monopoly. The reason for this is the public interest involved in knowing whether a monopoly is lawful and, if it is not, having it challenged in Court. Such a derogation of contract law in favor of patent law is a far cry from allowing identical parties to reopen valid judicial decrees at their mere whim. When a licensing agreement is based on the questionable validity of a certain patent, the public interest with regard to monopoly is extant in the case and we look to public policy to arrive at sound results. In the case of a consent decree, however, we only look to the equities involved as to the particular parties and the public interest is not at stake. A consent decree is voluntary and is yet a judicial act. Once parties invoke the

aid of a court of the United States to settle their affairs, they do far more than simply make a common law contract. *See, Lear*, supra. Sound considerations of judicial policy, not to mention a sense of respect for the Courts, require that parties not be allowed to implore a judge of the United States to sign a judicial decree, and then later implore him to regard his signature for naught. Courts of the United States are not to be so used; it is imperative that all litigants recognize this. Therefore, when a defendant, as here, admits the validity of a patent in a consent decree, he is thereafter estopped, although other parties are not, from raising the issue of validity.

Since preparation of this Court's order in this case, plaintiffs have made available to the Court a copy of the Seventh Circuit's most recent opinion in the cases of Ransburg Electro Coating Corp. v. Spiller and Spiller, Inc. v. Ionic Electrostatic Corp., 489 F.2d 974, decided November 16, 1973. These cases dealt with the impact of the *Lear* case, supra, on federal policy with regard to settlement of lawsuits and judicial economy. The Seventh Circuit reasoned that the *Lear* case did not signify that something called "federal public policy on patents" could be used to undo the effects of a valid lawsuit settlement contract. That opinion gives this Court all the more reason to hold, as it does above, that once a party enters into a consent decree accepting the validity of a particular patent, that party is estopped from raising the validity issue in subsequent litigation regarding the same parties and the same patent.

Therefore, defendants' motion to stay proceedings on plaintiff's motion for contempt is hereby denied; plaintiff's motion for contempt is hereby set for hearing in a trial to begin at 10 o'clock A.M. on February 12, 1974, at which trial defendants may not raise the issue of the validity of plaintiff's patent No. 3,175,256.

It is so ordered.

(Cite as 381 F.Supp. 649 (1974))

The SCHLEGEL MANUFACTURING COMPANY, Plaintiff,

v.

KING ALUMINUM CORPORATION and USM Corporation, Defendants.

No. 3766.

United States District Court, S. D. Ohio, W. D.

Sept. 4, 1974.

Motion to have defendant adjudged in civil contempt for violating terms of court decree enjoining defendant from infringing patent relating to pile weather stripping. The District Court, Weinman, J., held that accused product was equivalent of original product which was produced by defendant and which was enjoined and thus infringed patent, that defendant's action in violating injunction constituted contempt, that defendant's patent No. 3,175,256 was invalid, that defendant was accountable to patent owner for all profits derived from sales of infringing products, and that accounting would be staying pending appeal.

Order accordingly.

1. Patents ⇐234

Product which used the same elements to accomplish the same purpose in the same way as patent relating to pile weather stripping was an infringement of patent.

2. Patents ⇐234

Weather-stripping product which was introduced by infringer after it was enjoined from infringing patent relating to pile weather stripping, which included precisely the same elements as both the patented product and the product that was enjoined and which did the same work in substantially the same way to accomplish the same result as both the patented product and the enjoined product was an infringement of patent.

3. Patents ⇐226.5

Ultimate test of infringement is whether accused device does same work in substantially the same way to accomplish the same result.

4. Evidence ⇐568(1), 574

Opinions of laymen on matters of patentability are entitled to little weight and do not rebut competent evidence to the contrary.

5. Patents ⇐326(2)

Conduct of corporation in manufacturing and selling product which was commercially and functionally equivalent to corporation's original product which had been adjudged as infringing patent relating to pile weather stripping and which corporation had been enjoined from making, without a legal opinion as to whether minor changes in enjoined product rendered new product patentable, constituted wilful behavior, rendering corporation in contempt for violating injunction.

6. Patents ⇐168(2)

Where a claim has been amended to avoid a rejection over the prior art, patentee is thereafter estopped under the doctrine of file wrapper estoppel from recapturing by way of equivalents that which was abandoned from the claim by the amendment.

7. Patents ⇐168(2)

Doctrine of file wrapper estoppel is applicable only when the doctrine of equivalents is resorted to for proving infringement.

8. Patents ⇐168(2)

If literal infringement is made out, file wrapper estoppel has no application.

9. Patents ⇐326(4)

Defense of file wrapper estoppel was not available to corporation sought to be held in civil contempt for violating terms of decree enjoining it from infringing patent relating to pile weather stripping, where literal infringement was made out and where equivalency test was between original product en-

joined by court and new product introduced by corporation after the injunction and not between new accused product and claims of the patent.

10. Patents ⇐326(4)

Where there was no change in the scope of claims during prosecution of the patent relating to pile weather stripping, equitable estoppel could not be raised against applying language of claims to new product introduced by corporation after it was enjoined from infringing patent.

11. Patents ⇐328(2)

Patent No. 3,745,053 relating to weather stripping was anticipated by prior art and invalid. 35 U.S.C.A. § 102.

12. Patents ⇐328(2)

Patent No. 3,745,053 relating to weather stripping was obvious and invalid. 35 U.S.C.A. § 103.

13. Patents ⇐328(2)

Patent No. 3,745,053 relating to weather stripping was unenforceable and invalid because of conduct of applicant which failed to disclose all of teachings of prior art before patent office.

14. Patents ⇐318(1), 324.1

Corporation which violated order enjoining it from infringing patent relating to weather stripping by manufacturing and selling a product functionally and commercially equivalent to enjoined product and patented product was accountable to patent owner for all profits derived from such sales, but such accounting would be stayed pending appeal of judgment holding corporation in contempt for violation injunction. Fed. Rules Civ.Proc. rule 62(a), 28 U.S.C.A.; 28 U.S.C.A. § 1292(a)(4).

15. Patents ⇐324.1

If ordered by the court, an accounting in a civil action for patent infringement may be stayed pending appeal. Fed.Rules Civ.Proc. rule 62(a), 28 U.S.C.A.

16. Contempt ⇐66(2)

In the contest of a contempt proceeding, district court's order is not appealable if district judge specifically retains jurisdiction over the proceeding in his order.

17. Patents ⇐324.2

Statute giving courts of appeal jurisdiction of appeals from judgments in civil actions for patent infringement which are final except for accounting gives courts of appeal jurisdiction over district court decrees of infringement and validity based on merits of case and entered prior to actual determination of amounts of profits or damages to be awarded; however, such statute does not permit appeal during actual course of accounting proceedings per se. 28 U.S.C.A. § 1292(a)(4).

18. Patents ⇐324.2

Statute giving courts of appeal jurisdiction of appeals from judgments in civil actions for patent infringement which are final except for accounting is an exception to policy against interlocutory appeals. 28 U.S.C.A. § 1292(a)(4).

James M. Wetzel and Robert M. Ward, Wetzel, Greenawalt & Fitzgibbon, Chicago, Ill., George W. Shaw, Cumpston, Shaw & Stephens, Rochester, N.Y., Richard H. Evans, Wood, Herron & Evans, Cincinnati, Ohio, for plaintiff.

George N. Hibben and Albert W. Bicknell, Hibben, Noyes & Bicknell, Chicago, Ill., Lawrence B. Biebel, Biebel, French & Bugg, Dayton, Ohio, for defendants.

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER

WEINMAN, District Judge.

This cause of action has been tried to the Court as a result of the motion of plaintiff to have the defendants adjudged in civil contempt for violating the terms of a decree previously rendered by this Court. A concise history

of this litigation is stated in this Court's opinion printed as Schlegel Manufacturing Co. v. King Aluminum Corp., 369 F. Supp. 650 (S.D.O.1973). Accordingly, the Court now states its findings of fact and conclusions of law, F.R.Civ.P. 52.

FINDINGS OF FACT

1. Plaintiff, The Schlegel Manufacturing Company, is a corporation of the State of New York and has its principal place of business at 1555 Jefferson Road, Rochester, New York 14622.

2. Defendant, USM Corporation, is a corporation of the State of New Jersey and has its principal place of business in Boston, Massachusetts.

3. This action arises under the patent laws of the United States of America, more particularly 35 U.S.C. §§ 271, 281.

4. Jurisdiction is conferred upon this Court by 28 U.S.C. § 1338.

5. Venue is proper in this Court, 28 U.S.C. § 1400(b).

6. This is a motion for contempt. On February 22, 1972 this Court entered its final judgment in the above entitled patent infringement action which, *inter alia*, held United States Letters Patent No. 3,175,256, the patent in suit, valid in law.

7. The Court further held that the defendant, USM, had infringed the patent by the making and selling of its Series 892 and 893 pile weatherstripping having a flexible, impervious barrier in the pile.

8. The Court enjoined the defendant "From the unauthorized making, using or selling or inducing others to use pile weatherstripping having a flexible, impervious barrier, as represented by USM's series 892 and 893."

9. Since February 22, 1972 the Bailey Division of USM has produced and sold pile weatherstripping having a flexible impervious barrier in the pile and bearing parts numbers 11524-270 and 11527-270 and which is referred to as "New Structure-USM."

10. Sales of the "New Structure-USM" pile weatherstripping were made to Teller-Norrab, Inc. of Canton, Ohio and Thermal Industries of Pittsburgh, Pennsylvania.

11. These USM products were sold under the name "Twin-Fin."

12. On May 11, 1973 Schlegel filed its motion for contempt charging USM with the willful and deliberate violation of the injunction of this Court because of the making and selling of the "New Structure-USM."

13. As USM sought to stay the contempt motion, a hearing was had on October 16, 1973 from which an order was issued denying the motion to stay and setting a hearing date on the motion for contempt. (Order of December 11, 1973 at 5–6).

14. In late 1972, Schlegel advised USM that its new "Twin-Fin" construction constituted a violation of the settlement and might be in contempt.

15. At a meeting in Boston, Massachusetts arranged between the parties on May 8, 1973 to resolve this new issue, USM advised that it had that day filed an action entitled USM Corp. v. The Schlegel Mfg. Co., Civil Action No. 73-544, in the United States District Court for the District of South Carolina seeking a declaratory judgment of non-infringement for its new "Twin-Fin" construction and of invalidity of the *Horton* Patent, United States Patent No. 3,175,256.

16. Schlegel sought to stay the South Carolina action at the same time that USM sought to stay this action. The South Carolina action has been stayed pending a determination in this suit.

17. On January 10, 1974 USM answered Schlegel's motion for contempt, denying contempt, and denying infringement of the patent in suit.

18. As an affirmative defense USM asserted that there was no infringement because of the doctrine of file wrapper estoppel.

19. Further, USM asserted its Johnson et al. United States Patent No. 3,745,053 as covering the "New Structure-USM" and as a defense to the accusation of infringement.

20. USM sought to attack collaterally the previous judgment by attacking the validity of the patent and by attacking the settlement documents from which the judgment evolved.

21. By the order of December 11, 1973 this Court had ruled that the single issue to be determined at the trial was whether the "New Structure-USM" infringes or interferes with the valid patent of Schlegel and that the collateral matters of validity and misuse could not be raised. The Court additionally ruled that, if necessary for a full and proper decision herein, the validity of USM's Johnson et al. United States Patent No. 3,745,053 could be raised and determined at trial. (Order of December 11, 1973 at 5, 6).

22. The series 892 "Enjoined Structure-USM" is made up of a base strip, spaced bodies of pile fibers with a pile free gap there between, and a barrier strip extending longitudinally with the base strip and projecting laterally to the base strip. In the "Enjoined Structure-USM" the barrier strip is fixed at one edge in the gap by bonding the barrier strip only along its edge to the base strip.

[1] 23. The USM enjoined structure used the same elements to accomplish the same purpose in the same way as the patented structure and is an infringement of the *Horton* patent.

[2] 24. The "New Structure-USM" includes precisely the same elements as both the patented structure and the "Enjoined Structure-USM", *i. e.*, a base strip, spaced bodies of pile fibers with a pile free gap there between and a barrier strip extending longitudinally with the base strip and projecting laterally to the base strip.

25. The only difference between "Enjoined Structure-USM" and the "New Structure-USM" is that in the latter, the means of barrier strip attachment is "slightly altered" to bond the barrier strip to the pile rather than to the base.

26. The *Horton* patent teaches that the barrier strip may be bonded to the base strip and to the pile fibers.

27. USM's witness, Mr. Johnson, testified that the old, "Enjoined Structure-USM" was changed to the accused "New Structure-USM" by slightly altering the means of fin attachment from bonding solely to the base strip to bonding solely to the pile fibers.

28. Indeed, Johnson argued to a successful conclusion that these two structures were equivalent, both commercially and functionally.

29. Based on actual testing, Schlegel's technical expert, Mr. Lind, found the "Enjoined Structure-USM" to be the functional equivalent of the "New Structure-USM."

[3] 30. Further, the ultimate test of infringement which is met here is whether the accused device does the same work in substantially the same way to accomplish the same result. *See*, Graver Tank and Mfg. Co. v. Linde Air Products Co., 339 U.S. 605, 608, 70 S.Ct. 854, 94 L.Ed. 1097 (1950), USM's witness, Mr. Johnson, so testified.

31. The only evidence of opinions sought by defendant on the question of infringement of plaintiff's patent came from Mr. Johnson, a layman in USM's employ.

32. On May 5, 1970 Johnson, who is not an attorney, wrote to the USM Patent Department and gave the opinion that in the *Horton* patent, the claims are limited to the central fin being "attached" to the base strip and asked whether his proposed construction of bonding the fin to the pile would "subvert the Schlegel patent . . . ?"

33. USM produced no evidence of any response to Johnson's quaere.

34. Johnson later opined to outsiders that this slight alteration of bonding the

fin to the pile avoided patent infringement.

35. Although there was much reference at trial to legal opinions having been given to USM, USM's counsel admitted at trial there was no evidence of any written opinions, and no one was called upon to testify as having given an opinion.

[4] 36. The opinions of laymen on matters of law are entitled to little weight and do not rebut competent evidence to the contrary, in this case.

37. The "New Structure-USM" is equivalent to the "Enjoined Structure-USM" and also comes within the claims of *Horton*.

[5] 38. For USM to have proceeded to this infringing structure without a legal opinion and while its lawyers were entering into the present injunction constitutes willful behavior.

[6] 39. The doctrine of file wrapper estoppel says that where a claim has been amended to avoid a rejection over the prior art, the patentee is thereafter estopped from recapturing by way of equivalents that which was abandoned from the claim by the amendment. *See, e. g.*, Kolene Corp. v. Motor City Metal Treating, Inc., 440 F.2d 77 (6th Cir. 1971); Eimco Corp. v. Peterson Filters and Engineering Co., 406 F.2d 431, 438 (10th Cir. 1968).

[7-9] 40. The doctrine of file wrapper estoppel is applicable only when the doctrine of equivalents is resorted to for proving infringement. If literal infringement is made out, file wrapper estoppel need have no application. Kolene Corp. v. Motor City Metal Treating, Inc., 440 F.2d 77, 82 (6th Cir. 1971). There is literal infringement here and no available file wrapper estoppel defense.

41. Additionally, in this contempt case, the equivalency test is between the "Enjoined Structure USM" and the "New Structure-USM", and not between the new, accused device and the claims of the patent in suit. *Cf.* Panduit Corp. v. Stahlin Bros. Works, Inc., 338 F.Supp. 1240, 1241 (W.D.Mich. 1972), aff'd, 476 F.2d 1286 (6th Cir. 1973). Hence, for that further reason, the doctrine of file wrapper estoppel has no application here.

[10] 42. There was no change in the scope of claims during prosecution of the patent in suit such as would generate an equitable estoppel against applying the language of the claims to the "New Structure—USM."

43. USM relies upon its United States Patent No. 3,745,053 to *Johnson* and *Newton* as covering its "New Structure—USM."

44. The *Horton* patent is referred to in the Johnson et al. patent. There it is said that in the Horton structure "the barrier strip . . . (is) secured to the base . . . ."

45. Having made that positive characterization of *Horton* to the Patent Office, there is no evidence in the file that USM also advised the Patent Office that *Horton* teaches adhering the barrier strip to the pile fibers.

46. The novelty urged to the Patent Office in the specification and in the claims is that the barrier is secured "only" to the pile.

47. There is no indication in the file that the Patent Office knew that *Horton* also taught adhering or securing the barrier to the pile.

[11] 48. Accordingly, Johnson et al. is anticipated by *Horton* and is invalid. (35 U.S.C. § 102).

[12] 49. Johnson et al. does not teach that any unique benefit is achieved by changing the method of attachment of the barrier strip from being secured to the base strip and to the pile in *Horton*, to being secured only to the pile. Hence, such a change is obvious and unpatentable. (35 U.S.C. § 103).

[13] 50. The Johnson et al. patent is unenforceable and invalid because of conduct before the Patent Office in obtaining the patent.

BLEED THROUGH

DISCUSSION

[14-16] Having found the above facts, and in consideration of the relief to be granted in this case, the Court finds it necessary to state clearly the law applicable to this kind of situation with respect to an appeal. It shall be necessary to order an accounting to give plaintiff adequate relief in this case. If this Court's order were reversed on appeal, however, an accounting would not be necessary. Consequently, 28 U.S.C. § 1292(a)(4) provides that an appeal can be taken from "judgments in civil actions for patent infringement which are final except for accounting." This is such a case. It is clear that, if ordered by the Court, an accounting may be stayed pending appeal, F.R.Civ.P. 62(a), American Saint Gobain Corp. v. Armstrong Glass Co., 300 F.Supp. 419 (E.D. Tenn.1969). Conversely, in the context of a contempt proceeding the district court's order is not appealable if the district judge *specifically retains jurisdiction* over the proceeding in his order, American Saint Gobain Corp. v. Armstrong Glass Co., 418 F.2d 571 (6th Cir. 1969), *see also*, Bergman v. Aluminum Lock Shingle Corp., 237 F.2d 386 (9th Cir. 1956).

[17] It has been held many times that 28 U.S.C. § 1292(a)(4) gives a right of interlocutory appeal in a patent case where there is an adjudication of infringement (which necessarily implies patent validity), an accounting is ordered, and the adjudication is final except for the actual accounting. Ronel Corp. v. Anchor Lock of Florida, Inc., 312 F.2d 207, 209 (5th Cir. 1963); Illinois Tool Works Inc. v. Brunsing, 378 F.2d 234, 236 (9th Cir. 1967); American Cyanamid Co. v. Lincoln Laboratories, Inc., 403 F.2d 486 (7th Cir. 1968). 28 U.S.C. § 1292 gives Circuit Courts of Appeals jurisdiction over district court decrees of infringement and validity based on the merits of the case which are entered prior to actual determination of the amounts of profits or damages to be awarded, Russell Box Co. v. Grant Paper Box Co., 179 F.2d 785, 787 (1st Cir. 1950). The statute permits:

> ". . . Appeals from interlocutory orders going to the merits in order to save the parties the expense and delay, often substantial, of accounting proceedings which would go for naught if recovery should ultimately be denied by reversal on appeal of a decree on the merits." *Russell, supra*, at 787, McCullough v. Kammerer Corp., 331 U.S. 96, 98, 67 S.Ct. 1165, 91 L.Ed. 1365 (1946) (A good discussion of the policy of the statute per Justice Black).

However, the statute will not permit appeal during the actual course of accounting proceedings per se, *Russell*, supra. 179 F.2d at 788.

[18] Thus, 28 U.S.C. § 1292(a)(4) is a patent case exception to the policy against interlocutory appeals. It is meant to save the parties the expense and delay of an accounting until the decision on the merits is ultimately final. Much, however, is still left to the district court's discretion. The present case is one in which an accounting will be necessary to afford PROPER RELIEF. But, the Court wishes to make it clear that it does not specifically retain jurisdiction of this case, and that the accounting is ordered stayed in this case until after decision on appeal if such there be.

During the earlier process of the litigation in this case the defendants brought to the attention of the Court certain cases decided by the United States District Court for the Northern District of Illinois, viz., Butterfield v. Oculus Contact Lens Company, 332 F. Supp. 750 (N.D.Ill.1971); Kraly v. National Distillers et al., 319 F.Supp. 1349 (N.D.Ill.1970), and Crane v. Aeroquip Corporation, 364 F.Supp. 547 (N.D.Ill. 1971). This Court thoroughly considered the application of those cases to the present case at that time, but in the interests of justice requested to be kept advised as to the progress of those cases in the Courts of Appeals. In fairness to

the defendants the Court shall now dispose of the alleged applicability of those cases to the present matter. The *Crane* case, *supra*, is apparently still on appeal. The Court reaffirms its holding, however, that this case is not controlled by *Crane*. As to the *Butterfield* case, *supra*, it was affirmed in a *Per Curiam* decision at 177 U.S.P.Q. 33 (1973). That short decision is too brief and limited to control or affect in any fashion this Court's order of December 11, 1973 in this case. Furthermore, this Court thoroughly discussed *Butterfield* in its order of December 11, 1973 and now adheres to the opinion expressed in that order. Whatever the District Court in *Butterfield* may have permitted the parties to do in that case, the law does not *require* this Court to do the same in this case, and because this Court continues to disagree with the *Butterfield* holding for the reasons expressed in the order of December 11, 1973, that case will not be followed here. The Court also agrees with plaintiff that the *Per Curiam* affirmance of *Butterfield* is so closely limited to a single issue (validity) that it is not relevant here. The *Kraly* case, *supra*, was affirmed by the Seventh Circuit in an unpublished order of May 8, 1974, Kraly v. National Distillers and Chemical Corporation, Appeals. Two things must be noted with respect to this development. Firstly, the *Kraly* case is still pending before the Seventh Circuit on a petition for rehearing. Secondly, that case is principally concerned with a type of contract (a licensing agreement for the payment of royalties) which is not at all in issue in the present case and which also is evocative of different considerations than the issue of the validity of a consent decree, as was fully expressed in this Court's order of December 11, 1973. Thus, after fully considering the latest developments in the above three cases, the Court remains convinced of the rectitude of its order of December 11, 1973.

This Court thus considers that it has effectively responded to the defendants' contentions that the *Kraly*, *Crane*, and *Butterfield* cases, *supra*, should affect any past or future order of this Court on the issue of the validity of the original consent decree entered by this Court in this case. Moreover, inasmuch as the above cases represent the views of the Seventh Circuit on this whole matter, they are far too cursory and undeveloped to have any real import when compared with a much more pertinent, clear and indeed recent case decided by the Seventh Circuit which clearly appears to be at odds with the interpretation defendants seek to make of the above three cases, *see*, Ransburg Electro Coating Corp. v. Spiller & Spiller, Inc., 489 F.2d 974 (7th Cir., Order Dec. 7, 1973). That case dealt in a patent law context, with a challenge to a (legal) settlement agreement which challenge was ostensibly based on the public policy of patent law as alleged to have been expressed in Lear, Inc. v. Adkins, 395 U.S. 653, 89 S. Ct. 1902, 23 L.Ed.2d 610 (1969) and Blonder Tongue Labs, Inc. v. University Foundation, 402 U.S. 313, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971). The Seventh Circuit first noted that "in general settlements are judicially encouraged and favored as a matter of sound public policy," *Ransburg*, *supra*, 489 F.2d at 978, *see also*, Williams v. First National Bank, 216 U.S. 582, 30 S.Ct. 441, 54 L. Ed. 625 (1910). The Court then went on to turn away the attack on the settlement agreement based on Lear, supra, by holding that:

> "Spiller urges, however, that the federal patent policy, as enunciated in Lear, that 'all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent,' prevails over the policy favoring settlement of disputes. Although the federal patent policy prevails over 'the technical requirements of contract doctrine' (395 U.S. at 670, 89 S.Ct. at 1911 [23 L.Ed.2d 610]), we believe that such policy must occupy a subsidiary position to the fundamental policy favoring the expedient and orderly settlement of disputes and the fostering of judicial economy. To allow a

BLEED THROUG

subversion of the deeply instilled policy of settlement of legitimate disputes by applying the federal patent policy as enunciated in Lear would effectively strip good faith settlements of any meaning. The vehicle of settlement would be a useless item if contracts, such as the one here, were subject to invalidation after they were consummated. We think the federal patent policy should not be carried so far. Indeed, in our decision in Maxon Premix Burner Co., Inc. v. Eclipse Fuel Eng. Co., 471 F.2d 308 (7th Cir. 1972), we were faced with a choice between the public policy encouraging tests of patent validity and the public policy favoring conservation of judicial time and limitations on expensive litigation. We held the policy favoring judicial economy to be more significant. To allow Spiller to reopen this settlement contract would be contrary to the avowed need for judicial economy declared in Blonder-Tongue, Labs., Inc. v. University Foundation, 402 U.S. 313, 334–49, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971), and hardly consonant with our decision in Maxon.

"Moreover, if we were to allow the successful challenge of the instant settlement contract, we would do little toward furthering the collateral policy declared in Lear favoring the expeditious and early challenge to the validity of the underlying patent. 395 U.S. at 673, 674, 89 S.Ct. 1902 [23 L.Ed.2d 610]. See also Troxel Manufacturing Co. v. Schwinn Bicycle Co., 465 F.2d 1253, 1257 (6th Cir. 1972)." *Ransburg, supra*, 489 F.2d at 978.

The above quotation is really more representative of the Seventh Circuit's position on patent policy than the position contended for by defendants. The above approach is also commendably cognizant of the policies of finality of decrees and settlements, as well as judicial economy. In these respects the Seventh Circuit is clearly not at odds with this Court's interpretation of the effect of consent decrees in the context of patent litigation, *see*, Schlegel Manufacturing Co. v. King Aluminum Corp., 369 F. Supp. 650 (S.D.O.1973). Indeed, the effects of settlement agreements and consent decrees are so similar in the context of the present kind of case that the opinion of the Seventh Circuit in *Ransburg, supra*, has the same basic logical thrust as this Court's opinion in *Schlegel*, supra. Moreover, in the context of the present case this Court's reasoning on the consent decree issue is supportable on an even broader basis than its mere similarity to the policy of making settlement agreements final yet viable. This reasoning is clearly delineated in *Schlegel, supra*, and bears no repetition here beyond what has just been stated.

CONCLUSIONS OF LAW AND ORDER

1. This Court has jurisdiction of the subject matter and jurisdiction over the parties.

2. The accused "New Structure-USM" is the equivalent of the original "Enjoined Structure—USM" in relation to the *Horton* United States Patent No. 3,175,256.

3. The accused "New Structure—USM" infringes the claims of the valid patent of *Horton, supra*.

4. USM has violated the injunction of this Court wherefore, it is in contempt.

5. The permanent injunction of this Court's order of February 22, 1972 is hereby reaffirmed and ordered continued.

6. USM's contempt was willful.

7. USM is ordered to account to Schlegel for all profits derived from its sales of the contemptuous construction.

8. Such accounting is hereby ordered stayed pending appeal of this case pursuant to 28 U.S.C. § 1292(a)(4).

9. USM's United States Letters Patent No. 3,745,053 to Johnson et al., asserted herein by USM, is invalid.

10. Any finding of fact herein which is deemed to be a conclusion of law shall be so treated, and vice versa.

It is so ordered.

No. 74-2256

UNITED STATES COURT OF APPEALS

FOR THE SIXTH CIRCUIT

THE SCHLEGEL MANUFACTURING COMPANY,
Plaintiff-Appellee,

v.

USM CORPORATION,
Defendant-Appellant.

APPEAL from the United States District Court for the Southern District of Ohio, Western Division.

Decided and Filed September 25, 1975.

Before PHILLIPS, Chief Judge, WEICK, Circuit Judge, and ALLEN, District Judge.*

WEICK, Circuit Judge, and ALLEN, District Judge, delivered a Per Curiam opinion. PHILLIPS, Chief Circuit Judge, (pp. 16-20) filed a separate opinion concurring in part and dissenting in part.

PER CURIAM. This case involves an adjudication of contempt for the violation of the terms of a consent decree in a patent infringement action. The consent decree expressly stated that the patent was valid, and that defendants were guilty of infringement. Further infringement was enjoined. On motion for adjudication of contempt the District Court held that the validity of the infringed patent could not be raised in the contempt proceeding and that the contemnor's patent, asserted

* Honorable Charles M. Allen, United States District Judge for the Western District of Kentucky, sitting by designation.

as a defense, was invalid. We agree that the consent decree is res judicata on the issue of validity, and that the contemnor's patent is invalid. We affirm the judgment of the District Court.

The consent decree grew out of an action filed on June 23, 1969, by Schlegel Manufacturing Company (hereinafter Schlegel) against King Aluminum Company for infringement of U.S. Patent No. 3,175,256 to Horton (hereinafter Horton patent). Discovery proceedings revealed that USM, which manufactured the accused weatherstripping through its Bailey Division, was an indemnitor to King Aluminum for patent infringement.

After the infringement action was filed, settlement negotiations were instituted and the parties ultimately agreed among themselves to compromise. These private negotiations were brought to the attention of the court on February 22, 1972, when USM moved to join as a party defendant and entered into an agreed stipulation settling the litigation. On that same date the District Court granted joinder and entered final judgment. The court's decree provided that:

> 3. Said Letters Patent #3,175,256 is good and valid in law.
>
> 4. Each of the Defendants, KING ALUMINUM CORPORATION and USM CORPORATION, by its Bailey Division, individually has infringed said Letters Patent by making and/or selling pile weatherstripping having a flexible, impervious barrier in the pile as represented by USM's series 892 and 893 and embodying the inventions disclosed and claimed therein.
>
> 5. Each of the Defendants, its agents, servants, employees, privies, successors and assigns, are hereby permanently enjoined and restrained:
>
> From the unauthorized making or using or selling or inducing others to use pile weatherstripping having a flexible, impervious barrier in the pile as represented by USM's series 892 and 893.

In early February 1972 USM engineers recommended that a patent application be filed on a new embodiment of weatherstripping and that the company follow through on commercial development of this product. The application was filed on May 26, 1972, and issued as U.S. Patent No. 3,745,053 to Johnson et al. (hereinafter Johnson patent) on July 10, 1973. Weatherstripping which conformed to the Johnson patent was produced and sold by USM during the pendency of the application and after its allowance.

Schlegel became aware of the Johnson embodiment and notified USM that the new form infringed the Horton patent and that the infringement was a violation of the injunction entered pursuant to the consent decree. USM responded by filing a declaratory judgment action for invalidity of the Horton patent in the District Court for South Carolina.

On May 11, 1973 Schlegel filed a motion for contempt with the District Court for the Southern District of Ohio, the court which had entered the prior consent decree. In a published opinion the Ohio District Court refused to stay the contempt proceedings in deference to the South Carolina declaratory judgment action. *Schlegel Mfg. Co.* v. *King Aluminum Co.*, 369 F.Supp. 650 (S.D. Ohio 1973). On January 16, 1974 the South Carolina District Court ordered that the action pending before that court be stayed pending the outcome of the contempt proceedings.

After a full hearing on the contempt motion the District Court held that the manufacture of USM's new embodiment violated the terms of the decree. USM was held in willful contempt, an accounting was ordered, and the Johnson patent was held invalid. The District Court's findings are reported at 381 F.Supp. 649 (S.D. Ohio 1974). The present appeal is from that decision.

I. The Invention

The Horton patent discloses a flexible weatherstrip which is used to seal joints between doors or windows and their sur-

rounding frames. Flexible upstanding pile fibers are secured to a textile base strip, and an impervious barrier is secured along the center of the pile to the base strip. This barrier is described in claim 1 of the Horton patent as follows:

> a barrier strip of impervious, flexible sheet material fixed at one edge to said base strip in said pile gap, to project laterally from and extend longitudinally of said base strip to seal and support said fiber bodies.

The accused device is described in the Johnson patent as a similar type of weatherstrip with an impervious barrier. However, the Johnson barrier is not attached to the base strip. It is attached adhesively to the fibers themselves and the bottom edge of the barrier is spaced a short distance from the base strip.

II. Res Judicata

In the action for contempt USM sought to introduce evidence which would show that the Horton patent was invalid. The District Court held that the prior consent decree was res judicata of that issue and that the issue was foreclosed in the contempt proceeding. 369 F.Supp. at 652. On this appeal USM contends that the public policy interests discussed in *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), renders a finding of invalidity more important than the policies of finality served by the doctrine of res judicata.[1]

The present action fits squarely within the rules defining the bounds of res judicata. As stated by the District Court, "indeed this is in reality a part of" the first litigation. 369 F. Supp. at 652. The consent decree represents more than a mere agreement between the parties, or a stipulated dismissal. The District Court received the agreement, signed it and ordered it entered as a final judgment. We, therefore, are not

[1] *See generally*, *Note*, "'To bind or not to bind'; Bar and Merger Treatment of Consent Decrees in Patent Infringement Litigation," 74 Colum. L. Rev. 1322 (1974).

faced with the difficulties in characterizing the decree as a dismissal without prejudice or a final consent decree, see *Brunswick* v. *Chrysler Corp.*, 408 F.2d 335 (7th Cir. 1969), and an adjudication of infringement and validity need not be inferred, see *Kraly* v. *National Distillers & Chem. Corp.*, 502 F.2d 1366 (7th Cir. 1974). This is a consent decree that clearly states that the Horton patent is valid and infringed. See *Warner* v. *Tennessee Prod. Corp.*, 57 F.2d 642 (6th Cir.), *cert. denied*, 287 U.S. 632 (1932).

The principal issue then is not whether res judicata applies in the traditional sense, considering the facts of the case and the requirements of that doctrine, but rather whether the entire policy of res judicata is overridden by the public interest in purging an invalid patent of its status as a government-created monopoly. We recognize that res judicata is not a wholly inflexible doctrine, and that in rare instances public policy may mandate the rejection of that principle. 1B J. Moore, Federal Practice ¶ 0.405 [11] (2d ed. 1974); see *Addressograph-Multigraph Corp.* v. *Cooper*, 156 F.2d 483, 485 (2d Cir. 1946).

Public policy considerations in patent litigation have long been recognized by the Supreme Court. In *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661, 670-71 (1944), the Court considered the question of res judicata with respect to certain defenses that might have been, but were not, advanced by parties privy to a first suit. In the earlier suit the patent was held to be valid. The Court determined that this finding was not res judicata of a patent misuse counterclaim for damages that could have been, but was not, litigated in the first action. The Court stated:

> "Courts of equity may, and frequently do, go much farther both to give and withhold relief in furtherance of the public interest than they are accustomed to go when only private interests are in involved." *Virginian Ry. Co.* v. *System Federation*, 300 U. S. 515, 552. "Where an important public interest would be prejudiced," the reasons

> for denying injunctive relief "may be compelling." *Harrisonville* v. *Dickey Clay Co.*, 289 U. S. 334, 338. 320 U.S. at 670.

It was concluded that:

> The case is then governed by the principle that where the second cause of action between the parties is upon a different claim the prior judgment is *res judicata* not as to issues which might have been tendered but "only as to those matters in issue or points controverted, upon the determination of which the finding or verdict was rendered." *Cromwell* v. *County of Sac*, 94 U. S. 351, 353. And see *Russell* v. *Place*, 94 U. S. 606. 320 U.S. at 671.

The public interest in patents was also involved in *Sinclair & Carroll Co.* v. *Interchemical Corp.*, 325 U.S. 327, 330 (1945), where the Court encouraged a full inquiry into patent validity, admonishing that:

> There has been a tendency among the lower federal courts in infringement suits to dispose of them where possible on the ground of non-infringement without going into the question of validity of the patent. *Irvin* v. *Buick Motor Co.*, 88 F. 2d 947, 951; *Aero Spark Plug Co.* v. *B. G. Corp.*, 130 F. 2d 290; *Franklin* v. *Masonite Corp.*, 132 F. 2d 800. It has come to be recognized, however, that of the two questions, validity has the greater public importance, *Cover* v. *Schwartz*, 133 F. 2d 541, and the District Court in this case followed what will usually be the better practice by inquiring fully into the validity of this patent. 325 U.S. at 330.

See *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 229-31 (1964); *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964).

These policies were applied further in *Lear, Inc.* v. *Adkins*, *supra*, where the Court abrogated the doctrine of licensee

estoppel. The "federal policies" of *Lear* have been considered by this court with respect to royalties, see *Troxel Mfg. Co.* v. *Schwinn Bicycle Co.*, 489 F.2d 968 (6th Cir. 1973), *cert. denied*, 416 U.S. 939 (1974); *Troxel Mfg. Co.* v. *Schwinn Bicycle Co.*, 465 F.2d 1253 (6th Cir. 1972); *Atlas Chemical Indus., Inc.* v. *Moraine Products*, 509 F.2d 1 (6th Cir. 1974). We have noted that "One of the primary goals in *Lear* was to 'unmuzzle' licensees so that an early adjudication of invalidity could inure to the public interest." *Atlas Chemical Indus., Inc.* v. *Moraine Products, supra*, 509 F.2d at 6. See *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313 (1971).[2]

In the present case we are asked to extend *Lear* further and to follow the Seventh Circuit's decision in *Kraly* v. *National Distillers and Chemical Corp.*, 502 F.2d 1366 (7th Cir. 1974). In *Kraly*, 502 F.2d at 1369, the court applied the policies of *Lear* to consent decree adjudications of validity, concluding that:

> National Distillers, the licensee, is not estopped from challenging the validity of the patent, even though a prior consent decree incorporated an understanding not to challenge the validity of the patent. As Judge Stevens points out in *Business Forms*, "A contrary result could not be reconciled with 'the public interest in a judicial determination of the invalidity of a worthless patent.'" 452 F.2d at 75.

The Seventh Circuit explicitly rejected the holding of the District Court in the present case, stating as follows:

> We cannot agree with the *Schlegel* court that [Ransburg Electro-Coating Corp. v. Spiller & Spiller, Inc., 489 F.2d

[2] In other circuits the *Lear* public policy considerations have found a wide range of application to traditional concepts of patent law. *See, e.g., Coastal Dynamics Corp.* v. *Symbolic Displays, Inc.*, 469 F.2d 79 (9th Cir. 1972) (assignor estopped doctrine); *Massillon-Cleveland-Akron Sign Co.* v. *Golden State Advertising Co.*, 444 F.2d 425, 427 (9th Cir.), *cert. denied*, 404 U.S. 873 (1971) (no-contest clauses in settlement agreements invalidated).

> 974 (7th Cir. 1973)] supports the proposition that "once a party enters a consent decree accepting the validity of a particular patent, that party is estopped from raising the validity issue in subsequent litigation regarding the same parties and the same patent." *Id.* at 653. While it is true that in *Ransburg* this court reasoned that "the *Lear* case did not signify that something called 'federal public policy on patents' could be used to undo the effects of a valid lawsuit settlement contract," *id.*, that reasoning was applied only to that portion of the settlement involving *past* infringement. 502 F.2d at 1369.

The Seventh Circuit has subsequently reaffirmed this holding in *Crane Co.* v. *Aeroquip Corp.*, 504 F.2d 1086, 1092 (1974), stating that the "Defendant was within its rights to test validity after entering into the consent judgment of validity."

We respectfully disagree with the Seventh Circuit's interpretation of *Lear*. In so holding we are in agreement with the Second Circuit, see *Broadview Chemical Corp.* v. *Loctite Corp.*, 474 F.2d 1391, 1395 (2d Cir. 1973), and the Eighth Circuit, see *United States ex rel. Shell Oil Co.* v. *Barco Corp.*, 430 F.2d 998, 1001-02 (8th Cir. 1970). *See also Schnitger* v. *Canoga Electronics Corp.*, 462 F.2d 628 (9th Cir. 1972); *but see Herbert Rosenthal Jewelry Corp.* v. *Kalpakian*, 446 F.2d 738, 739-40 (9th Cir. 1971).

In *Hirs* v. *Detroit Filter Corp.*, 424 F.2d 1040, 1041 (6th Cir. 1970), this court stated that a contempt proceeding following a fully litigated issue of infringement is not a "*de novo* inquiry as to infringement, since the earlier determination of the validity of the patent and all the defenses to a charge of infringement which are related thereto are res judicata . . . ." We are aware of no court which has entertained the suggestion that *Lear* abrogates the doctrine of res judicata after a fully litigated result. This would seem to be the logical extension of denying res judicata effect to a consent decree. This court has not recognized such a difference previously, see *Warner* v. *Tennessee Products Corp.*, *supra*, 57

F.2d 642 (6th Cir.), *cert. denied*, 287 U.S. 632 (1932). Even though the degree of judicial involvement is different between a consent decree and a litigated result, we are not prepared to find that judicial involvement in a consent decree is so inconsequential as to justify different treatment. We stated in *Wadsworth Electric Mfg. Co.* v. *Westinghouse Electric & Mfg. Co.*, 71 F.2d 850, 851-52 (6th Cir. 1934), as follows:

> Were it permissible upon every proceeding in contempt to again challenge the validity of the claims, and to reopen issues already decided, such practice would be subversive, if not indeed wholly destructive, of the plenary power of the court to enforce its decrees, and to reopen questions of validity upon an appeal from a contempt order would be to invite all defeated litigants in patent infringement suits to defy injunctional orders, and by such defiance to seek review of adjudicated issues not otherwise open to them.

In *United States* v. *Swift & Co.*, 286 U.S. 106, 115 (1932), Mr. Justice Cardozo said: "We reject the argument . . . that a decree entered upon consent is to be treated as a contract and not as a judicial act."

Looking to the rationale of *Lear*, we note that there is a significant difference between the effect of a consent decree and the doctrine of licensee estoppel. The parties to the patent suit are entitled to a full and fair hearing on the merits of the case up until the time a consent decree is entered. The doctrine of licensee estoppel closed the doors of the courts to a large group of parties who had sufficient interest in the patent to challenge its validity. By giving res judicata effect to consent decrees, we do not close the doors of the courts to litigation on the issue of patent validity, except as to parties or their privies, and only after they have had the opportunity to litigate the issue fully. Third parties are not affected by the consent decree. See, e.g., Annot.,

4 A.L.R. Fed. 214, 217 (1970); *Boutell* v. *Volk*, 449 F.2d 673, 675 (10th Cir. 1971).

The public interest requires that an invalid patent be stripped of its monopoly, and at as early a date as possible. When a consent decree is to be given res judicata effect, litigants are encouraged to litigate the issue of validity rather than foreclosing themselves by a consent decree. If they were given a second chance to litigate the issue of validity, alleged infringers might well accept a license under a consent decree and forego an attack on validity until favored by a stronger financial position, or until threatened by other manufacturers who were not paying royalties. By giving res judicata effect to consent decrees this court protects the public interest in that an alleged infringer is deprived of a judicial device which could be used to postpone and delay a final adjudication of validity. See *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation, supra*, 402 U.S. at 334-48; *Lear, Inc.* v. *Adkins, supra*, 395 U.S. at 683; *Troxel Mfg. Co.* v. *Schwinn Bicycle Co., supra*, 465 F.2d at 1257; *see also Ransburg Electro-Coating Corp.* v. *Spiller & Spiller, Inc.*, 489 F.2d 974, 978 (7th Cir. 1973).

We, therefore, hold that the District Court was correct in ruling that the doctrine of res judicata barred USM from reviving and relitigating the issue of the validity of the Horton patent.

III. Contempt

The District Court held that USM has violated the permanent injunction issued by that court on February 22, 1972, and is in contempt. The permanent injunction was reaffirmed and ordered to be continued. USM was ordered to account for all profits derived from its sales of the contemptuous construction.

We conclude that the findings of infringement are not clearly erroneous and that these findings require affirmance of the decision on the issue of contempt.

This Court in a number of decisions has established clearly the applicable rule in proceedings for contempt for violation of an injunction against infringement of a patent.

In *Field Body Corp.* v. *Highland Body Mfg. Co.*, 13 F.2d 626, 627 (6th Cir. 1926), we held:

> The relation of the Morrison patent to other structures and the validity of certain of its claims are argued by counsel for appellant as though the adjudication of validity and infringement were under review. We are not concerned with the prior art, nor with an original interpretation of the claims of the patent. It suffices here that in an action between the parties the patent was held infringed by appellant's original structure. The question, then, is whether the modified structure is the equivalent of the original in its relation to the patent in suit.

The Court further held:

> The question is one of fact. (Id. at 627)

In *Wadsworth Elec. Mfg. Co.* v. *Westinghouse Elec. & Mfg. Co.*, 71 F.2d 850 (6th Cir. 1934), Judge Simons, who wrote the opinion for the Court, followed *Field Body* and stated:

> The question in proceedings for contempt for violation of an injunction against infringement is not one which relates to or involves the original interpretation of the claims of the patent. Field Body Corporation v. Highland Body Mfg. Co., 13 F.(2d) 626 (C. C. A. 6). It suffices that in an action between the parties the patent was held valid and infringed, and the question is only whether the modified structure is equivalent to the original in relation to the patent in suit. "The proceeding for its punishment (for contempt) 'is a new and distinct proceeding, and is quite independent of the equities of the case on which the decree is founded.'" Bullock Electric

> & Mfg. Co. v. Westinghouse Electric & Mfg. Co., 129 F. 105, 106 (C. C. A. 6). Were the rule otherwise, and were it permissible upon every proceeding in contempt to again challenge the validity of the claims, and to reopen issues already decided, such practice would be subversive, if not indeed wholly destructive, of the plenary power of the court to enforce its decrees, and to reopen questions of validity upon an appeal from a contempt order would be to invite all defeated litigants in patent infringement suits to defy injunctional orders, and by such defiance to seek review of adjudicated issues not otherwise open to them. We think it clear that the only issue presented by this appeal is whether the defendant's modified structures infringe the patent claims, and whether their manufacture violates the writ of injunction, and upon that issue neither the court below nor this court need consider the prior art. Field Body Corporation v. Highland Body Manufacturing Company, supra. (851-852)

In *Panduit Corp.* v. *Stahlin Bros. Fibre Works, Inc.*, 338 F.Supp. 1240 (W.D. Mich. 1972), *aff'd*, 476 F.2d 1286 (6th Cir. 1973), the Court held:

> The standard applied in contempt proceedings following an adjudication of patent validity and infringement is abundantly clear. In such proceedings the question is whether the accused structure is equivalent to the original in relation to the patent in suit. Field Body Corporation v. Highland Body Mfg. Co., 13 F.2d 626 (6th Cir. 1926). Wadsworth Electric Mfg. Co. v. Westinghouse Electric & Mfg. Co., 71 F.2d 850 (6th Cir. 1934), certiorari denied Wadsworth Electric Mfg. Co. v. Sachs, 294 U.S. 724, 55 S.Ct. 552, 79 L.Ed. 1255. Thus, there are two focal points to the issue presently before the court: (1) the equivalency of the modified structures to the structures previously held infringing, and (2) the relationship of the new devices to the valid patent claim. Hirs v. Detroit Filter Corp., 424 F.2d 1040, 1041 (6th Cir. 1960). (1241-1242)

In our opinion the District Court did not err in excluding evidence offered by USM which was designed as a collateral attack on the consent decree.

Reference is made to the District Court's findings of fact Nos. 22 through 38, reported at 381 F.Supp. at 652-53.

We have held consistently that the issue of infringement is factual and the findings of fact of the trier of the facts are governed by Rule 52(a), Fed.R.Civ.P. See, *e.g.*, *Olympic Fastening Systems, Inc.* v. *Textron, Inc.*, 504 F.2d 609, 619 (6th Cir. 1974); *Schnadig Corp.* v. *Gaines Mfg. Co.*, 494 F.2d 383, 389 (6th Cir. 1974); *Tappan Co.* v. *General Motors Corp.*, 380 F.2d 888, 891 (6th Cir. 1967); *United States Plywood Corp.* v. *General Plywood Co.*, 370 F.2d 500, 507 (6th Cir. 1966).

These authorities compel the sustaining of the factual findings of Judge Weinman, as they are supported by the overwhelming evidence in this case.

We reject the contention that the infringement provisions of the consent decree were vague. Paragraph 4 of the decree found infringement "by making and/or selling pile weatherstripping *having a flexible, impervious barrier in the pile* as represented by USM's Series 892 and 893 *and embodying the inventions disclosed and claimed therein.*" (Emphasis added).

The patent specifications describe the Horton weatherstrip as having a flexible, impervious barrier. It is also described in USM's Series 892 and 893.

The description of the barrier strip as shown in USM's Series 892 and 893 certainly does not make the infringement provisions vague, nor does it convert the consent degree into a meaningless gesture, which will be the result if USM's contentions are upheld.

The District Court found that USM's conduct was willful contempt, and we agree. This finding is likewise a factual finding and it should not be overturned because it is sup-

ported by substantial evidence and is not clearly erroneous. Rule 52(a) Fed.R.Civ.P.

In essence this appeal involves a very important principle, namely, whether sanctity should be accorded to a consent decree of a Federal Court in a patent-infringement case.

The importance of encouraging settlement of patent-infringement litigation, which all too frequently is complex, long-drawn-out, carried on through all the Courts, and even in different jurisdictions, cannot be overstated. If every patent-infringement case filed had to be tried the Courts would be clogged.

The problem is discussed in an excellent opinion written by District Judge Edward Weinfeld in *Wallace Clark & Co. Inc.* v. *Acheson Industries, Inc.*, 394 F.Supp. 393 (S.D. N.Y. 1975).

We ought to do nothing here to make the settlement of a patent-infringement action by a consent decree a futile, meaningless gesture which will discourage such settlements in the future.

IV. Validity of the Johnson Patent

By pre-trial order the District Court warned that "the validity of [the Johnson] patent on [the] modified form of weather-stripping may be pleced in issue and adjudicated if that should be necessary to a full and proper decision in this case, and parties are hereby instructed to plan for the trial accordingly." 369 F.Supp. at 652. At trial USM asserted the Johnson patent as a defense to contempt. It was, therefore, in issue and the District Court was required to inquire fully into the relationship of the Johnson patent to the Horton patent. From this examination it became clear that Johnson was obvious and anticipated by the Horton patent. The Johnson patent was also held unenforceable and invalid because of misconduct before the Patent Office. 381 F.Supp. at 653.

We agree that the Johnson patent was in issue, that the

court could reach the issue of validity, and that the court's conclusion as to validity under the provisions of 35 U.S.C. §§ 102 and 103 is correct.

We do not agree, however, with the holding of the District Court that the Johnson patent was unenforceable and invalid because of misconduct in the Patent Office. This holding was based on the Johnson patent's description of the Horton patent in the specification, where it is stated that in Horton "the barrier strip . . . [is] secured to the base . . . ." The Johnson disclosure does not inform the Patent Office that in the text of the Horton patent specification it is expressly stated that the barrier strip may be pressed into contact with the pile fibers "to cause more or less adherence of the fibers thereto . . . ." Although misrepresentation or an omission in proceedings before the Patent Office may constitute misconduct, see *Charles Pfizer & Co.* v. *F.T.C.*, 401 F.2d 574, 579 (6th Cir. 1968), the facts in the present case do not rise to that level. A full disclosure was made as to the prior art, *i.e.*, the Horton patent. No prior art was hidden. The Horton patent was not suppressed by USM nor was the citation to it casual. The Horton patent was discussed extensively as the most relevant art in this area of technology and was noted by the Patent Office as the first patent of record.

The judgment of the District Court is affirmed and the cause is remanded for an accounting and other relief to which the plaintiff may be entitled. Costs on this appeal are taxed against USM Corporation.

PHILLIPS, Chief Judge. (Concurring in part and dissenting in part). I concur in parts I, II and IV of the majority opinion. I do not agree with all of part III. I would remand the case to the District Court for further proceedings. Accordingly, I dissent from the decision to affirm.

It is respectfully submitted that the record does not contain sufficient evidence from which the consent decree can be construed to have the breadth attributed to it by the District Court and by the majority opinion. If the consent decree is given such a broad interpretation, the owner of the patent might receive a monopoly greater than granted by the Patent Office. This could raise a serious question of public policy.

I, therefore, would remand with instructions, rather than affirming on the issue of contempt. This procedure would enable the District Court to make a proper determination of the meaning of the consent decree and a proper determination on the issue of infringement. It may be that the District Court on remand would reach the same ultimate conclusion on the issue of contempt. My proposed remand would permit the District Judge to accomplish this result by proper procedure rather than on findings which I submit to be inconsistent in some respects,[1] and on a consent decree whose meaning is not clear to me.

---

[1] Finding No. 23, 381 F.Supp. at 652, states that the enjoined structure "used the same elements to accomplish the same purpose in the same way as the patented structure . . . ." Finding No. 30 also repeats substantially the same test. These are the tests of infringement under the doctrine of equivalents. *See Acme Highway Products Corp.* v. *D. S. Brown Co.*, 473 F.2d 849, 850-51 (6th Cir. 1973). However, the District Court expressly disclaimed infringement under the doctrine of equivalents in Finding No. 40, 381 F.Supp. at 653, stating that "The doctrine of file wrapper estoppel is applicable only when the doctrine of equivalents is resorted to for proving infringement . . . . There is literal infringement here and no available file wrapper estoppel defense." Therefore, even if the District Judge may have believed that there was infringement under the doctrine of equivalents, he gave his findings a label of literal infringement.

Yet there are no specific findings of fact supporting an ultimate finding of literal infringement. Finding No. 25 negatives any inference of literal infringement in Finding No. 24. The nearest thing to a finding of literal infringement is expressed in Finding No. 26,

The District Court held in finding of fact No. 41 that the determination of contempt rested on the equivalency of the series 892 and 893 devices and the newly accused weatherstripping, without regard to the scope and content of the claims of the Horton patent. 381 F.Supp. at 653. It has long been ruled that "[t]he question, then, is whether the modified structure is the equivalent of the original in its relation to the patent in suit," *Field Body Corp.* v. *Highland Body Mfg. Co.*, 13 F.2d 626, 627 (6th Cir. 1926). However, this court has rejected the proposition that "the only proper test of whether there has been contempt of a patent injunction is whether the presently accused device is the equivalent of the device originally found to have infringed the patent." *Hirs* v. *Detroit Filter Corp.*, 424 F.2d 1040, 1041 (6th Cir. 1970). In that case we also held that "[w]here the injunction prohibits further infringement of the invention embodied in specific claims of specific patents, one of the issues presented to the District Court in a contempt action is whether the presently accused device infringes the patent claims." 424 F.2d at 1041. *See also, Wadsworth Electric Mfg. Co.* v. *Westinghouse Electric & Mfg. Co.*, 71 F.2d 850, 852 (6th Cir. 1934).

I have difficulty in determining the scope of the consent decree because its terms are vague as to the limits of the prohibited conduct. The decree states that USM has infringed the Horton patent "by making and/or selling pile weatherstripping having a flexible, impervious barrier in the pile as represented by USM's series 892 and 893 embodying the inventions disclosed and claimed [in the Horton patent]." The

---

where it is stated that "The Horton patent teaches that the barrier strip may be bonded to the base strip and to the pile fibers." With utmost deference, I submit that this statement is not relevant to the issue of infringement, but is relevant only to the issue of validity of the Johnson patent.

Further, I am impressed that the file wrapper estoppel defense is strong in this case and should have been considered. However, since the District Court expressly held that this defense is not available, I do not believe Finding No. 42 is decisive. Finding No. 42 may be close to a finding of file wrapper estoppel, but it is phrased in terms of "equitable estoppel."

decree then proceeds to enjoin and restrain "the unauthorized making or using or selling or inducing others to use pile weatherstripping . . . as represented by USM's series 892 and 893." This language could be construed to have three distinct meanings: (1) It could be read to mean that USM is enjoined from making weatherstripping "constructed specifically according to" their old embodiments (This construction would provide a lesser degree of protection than that of the patent claims.); (2) it could be read to prohibit further infringement of the patent; and (3) it could be taken as a broad prohibition against all similar types of weatherstripping, irrespective of infringement.

The District Court refused to hear extrinsic evidence as to the meaning of the injunctive language, stating:

> We are not going to put anything prior to [the decree] in this case. . . . We start from the Entry that was agreed upon by you . . . . It was signed by me upon agreement of the parties. Now we start from there. I am not interested in anything prior to that time.

I would hold that under the particular circumstances of this case the District Court erred in refusing to consider the excluded evidence. It has been held that "A consent decree represents an agreement by the parties which the court cannot expand or contract," *Artvale, Inc.* v. *Rugby Fabrics Corp.*, 303 F.2d 283, 284 (2d Cir. 1962); *see United States* v. *Armour & Co.*, 402 U.S. 673, 681-82 (1971). I agree with the majority opinion as to the dangers of encroachment on the sanctity of consent decrees. However, in construing the meaning of the consent decree in the present case, the court may make reference to other material to ascertain the meaning of the ambiguous terms in the decree. The role of the court is not to "expand or contract" the decree, but to determine what the parties intended when they chose the language in the decree. Evidence relating to the prior negotiations, the settlement agreement and the purchase agreement is therefore ad-

missible for the narrow purpose of defining and delineating the meaning of the ambiguous injunctive portion of the decree. *Cf. Artvale, Inc.* v. *Rugby Fabrics Corp., supra,* 303 F.2d at 284.

I would remand the case to the District Court for further proceedings on that issue. On remand I would direct the District Court to consider the evidence previously rejected as to the meaning of the injunctive language in the consent decree.

If the decree should be found to prohibit the specific manufacture of weatherstripping "constructed specifically according to" series 892 and 893, then the court should determine if the accused weatherstripping is substantially identical to series 892 and 893. In making this determination the scope and content of the weatherstripping art would be relevant to determine what magnitude of departure from the design of the enjoined structure goes beyond the decree. For example, a change which superficially appears to be slight may be substantially different in view of the weatherstripping prior art.

If the consent decree should be found to prohibit further infringement of the Horton patent, I would direct the District Court first to determine if there is literal infringement by comparing the accused device to the Horton claims. If there is no literal infringement, the District Court should determine whether there is infringement under the doctrine of equivalents. On the issue of the doctrine of equivalents, the history of the prosecution of the Horton application before the Patent Office would be particularly relevant on the issue of whether certain claim limitations have created a file wrapper estoppel.

If the consent decree should be determined to be broader than any of the foregoing interpretations then the District Court should consider what conduct is specifically prohibited by the injunction, and whether USM has violated the injunction by the manufacture of the accused device.

In the usual case a consent decree's prohibition, at most, will be coextensive with the protection afforded by the claims

of the patent. Violation of the decree is to be determined by comparing the newly accused device with the patent claims according to the usual theories of infringement. I re-emphasize that a more expansive reading of the decree might operate to bestow upon a patentee a greater monopoly than he could obtain from the Patent Office.

If on remand the District Court should find that there has been a violation of the injunctive provisions of the consent decree, a determination then would be made as to whether the holder of the Johnson patent, which was presumed to be valid under 35 U.S.C. § 282, was entitled to rely upon it in good faith. If on remand the District Court should determine that there are any such factors of mitigation, then consideration could be given to the issuance of a supplemental injunction, rather than a contempt citation and accounting, as an appropriate remedy.

A-44

No. 74-2256

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

THE SCHLEGEL MANUFACTURING COMPANY, :

Plaintiff-Appellee : NOV. 17, 1975

vs. :

USM CORPORATION, :

Defendant-Appellant :

Before PHILLIPS, Chief Judge, WEICK, Circuit Judge, and ALLEN, District Judge*.

This cause came on to be heard on the petition for rehearing with a suggestion that it be heard en banc, and on appellant's motion to amend the Court's opinion. No active Judge having requested that a vote be taken on said suggestion, the petition for rehearing and the motion to amend were considered by the panel.

---

*The Honorable Charles M. Allen, United States District Judge for the Western District of Kentucky, sitting by designation.

In our opinion, appellant, by reason of the consent decree, is foreclosed from attacking the validity of the patent in suit, and we are without authority to vacate said decree.

The petition for rehearing and the motion to amend are not well taken and each of them is hereby denied.

ENTERED BY ORDER OF THE COURT.

/s/ John P. Hehman
CLERK

LIBRARY
SUPREME COURT, U. S.

Supreme Court, U. S.
FILED
MAR 12 1976
MICHAEL RODAK, JR., CLERK

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1975

NO. 75-1134

USM CORPORATION,
Petitioner,

VS.

THE SCHLEGEL MANUFACTURING COMPANY,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

JAMES M. WETZEL,
Wetzel, Greenawalt & FitzGibbon,
135 South LaSalle Street,
Chicago, Illinois 60603,
(312) 372-1655,
Attorneys for Respondent.

Of Counsel:

GEORGE W. SHAW,
Cumpston & Shaw,
Two State Street,
Rochester, New York 14614,
(716) 325-5553.

La Salle Street Press — Chicago Printed in U.S.A.

TABLE OF CONTENTS

	PAGE
OPINIONS BELOW; ORDER STAYING PROCEEDING IN SOUTH CAROLINA	2
RESPONDENT'S GROUNDS OF OPPOSITION TO THE PETITION	3
SUPPLEMENTAL STATEMENT OF THE CASE	5
ARGUMENT	7
I. Petitioner's Issues Are To Matters Of Fact	7
II. This Is An Issue Between The Parties	7
III. The Final Judgment Is To Be Given Final Effect.	9
IV. The Materials Prior To Final Judgment Were Barred	10
CONCLUSION	11

TABLE OF CASES

Cases

Lear v. Adkins, 395 U.S. 653 (1969) 7

United States v. Swift & Co., 286 U.S. 106, 115 (1932). 9

USM Corp. v. Standard Pressed Steel Co., 524 F.2d 1097 (7th Cir. 1975) 9, 10

In The

SUPREME COURT OF THE UNITED STATES

October Term, 1975

NO. 75-1134

USM CORPORATION,
Petitioner,

vs.

THE SCHLEGEL MANUFACTURING COMPANY,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

The Schlegel Manufacturing Company, respondent herein, respectfully submits that the petition for a writ of certiorari filed by USM Corporation is without merit and prays that the petition be denied.

OPINIONS BELOW; ORDER STAYING PROCEEDING IN SOUTH CAROLINA

1. The Opinions in the instant case are: *Schlegel Manufacturing Co.* v. *USM Corp.*, 525 F.2d 775 (6th Cir. 1975), A. 24-43,* hereinafter "the Sixth Circuit decision"; an Order of the Sixth Circuit denying a petition for rehearing, A. 44-45, which is not officially reported; and *Schlegel Manufacturing Co.* v. *USM Corp.*, 381 F.Supp. 649 (S.D. Ohio 1974), A. 16-23, hereinafter "the Ohio District Court decision". A decision denying a motion to stay proceedings in the Ohio District Court is reported as *Schlegel Manufacturing Co.* v. *USM Corp.*, 369 F.Supp. 649 (S.D. Ohio 1973), A. 12-15.

2. An Order granting a motion to stay proceedings in South Carolina in *USM Corp.* v. *Schlegel Manufacturing Co.*, Civil Action No. 73-544, (D.S.C., July 11, 1973), RA. 1-2, is not officially reported.

---

* References to the Appendix of the petition are designated "A. . .", references to the Appendix to this brief are designated "RA. . .".

RESPONDENT'S GROUNDS OF OPPOSITION TO THE PETITION

1. This is an ordinary patent contempt case. It involves no questions which are in conflict with applicable decisions of this Court. Nor is there any conflict between circuits. All that was decided below was that the petitioner was in willful contempt of an injunction for having manufactured and sold an enjoined product (A. 33-37). In so holding, the Sixth Circuit applied the law of the jurisdiction, which was consonant with the holding of every court of appeals which has been called upon to decide the patent contempt issue.

2. The petitioner sought to mount a collateral attack on the judgment by challenging its *res judicata* effect (Petition at 7-8). That attack was rejected on the basis of the established law of the circuit, with the Sixth Circuit Court of Appeals specifically holding that the Final Judgment (A. 8) by consent of validity and infringement was *res judicata* (A. 27-33). Although the petitioner made a feint toward arguing that the Court's opinion was in conflict with a decision of the Seventh Circuit, it was forced to admit that there was no conflict (Petition at 8).

3. The public interest issue, as presented, does not fairly or accurately reflect the position of the Sixth Circuit. That decision did not overlook the public interest in encouraging "early contests on patent validity" (*cf.* Petition at 6), but quite the opposite, treated the subject fully and fairly. The Sixth Circuit Court properly observed that it is precisely because litigants know that *res judicata* effect is given to consent decrees that they are encouraged to investigate validity and litigate the issue, if need be, at as early a date as possible rather than settle (A. 33).

4. The petitioner's troubles arise out of factual circumstances all of its own making; it was the petitioner who

moved the Ohio District Court to permit it to enter into the consent decree and to be enjoined, who made and sold the accused structure contrary to the injunction, and who precipitated this contempt proceeding by first filing a declaratory judgment action in South Carolina. This result is merely the just consequence of those acts from which no Court can, or should, give a release.

BLEED THRO

SUPPLEMENTAL STATEMENT OF THE CASE

The petitioner's statement of the case (Petition at 2-4) needs to be supplemented and corrected, as follows:

1. In the original action between Schlegel and King Aluminum Corp. in the Ohio District Court, USM moved on its own in February of 1972 to join as a party defendant (RA. 3) so that it could actively participate in and give its consent to the Final Judgment (*cf.* Petition at 3).

2. The representation that the form of weatherstripping which became the subject of these contempt proceedings had been the subject of "the opinion of USM counsel" is clearly contrary to the fact (*cf.* Petition at 3). The matter of opinions was gone into thoroughly at trial and was the subject of the Ohio District Court's findings of fact 31 through 36 (A. 19-20) and the specific finding that "there was no evidence of any written opinions and no one was called upon to testify as having given an opinion" (A. 20).

3. This contempt proceeding charging a violation of the injunction, was brought without choice, and only after USM had terminated a conference between the parties on May 8, 1973, with the pronouncement that an action for declaratory relief had been filed that day in the South Carolina District Court (A. 18, finding 15). It was then three days later, on May 11, 1973, that Schlegel brought this Motion for Contempt in the Ohio District Court.

4. Cross motions were brought to stay the respective South Carolina District Court and the Ohio District Court proceedings, the South Carolina District Court staying that action in July of 1973 to permit review by the Ohio District Court (RA. 1-2) and the Ohio District Court denying USM's motion to stay in December of 1973 (A. 12). In the Order of December, 1973, the Ohio District Court set February 12, 1974 as the trial date for the motion for con-

HROUGH

tempt and, as USM had raised the issues, forewarned that: a) USM would be bound by *res judicata* and not permitted to directly or collaterally attack the judgment; and b) USM's *Johnson* patent, which had been asserted in defense of its infringement, might be placed in issue and adjudicated, if necessary (A. 14).

5. Trial was had on February 13 and 14, 1974 and the facts adduced as set forth in the decision of September 4, 1974 (A. 16-23). The conclusion was willful contempt (A. 23).

6. The *per curiam* decision of the Sixth Circuit Court of Appeals (A. 24) gave a detailed review of each of the issues raised by USM, including specifically, the scope of the invention (A. 26-27), the *res judicata* issue and its public interest aspects (A. 27-33), the matter of contempt (A. 33-37), and the validity of the *Johnson* patent (A. 37-38). The appellate review was complete.

BLEED THR

ARGUMENT

I. Petitioner's Issues Are to Matters Of Fact

The petition presents no issues which are sufficiently special or important as to warrant the granting of the writ. None of the questions presented is directed to matters of law, but instead each is a presentation of fact, none of which calls for an exercise of this Court's power of supervision.

The matter referred to by the petitioner as "the public interest" delineated in *Lear* v. *Adkins*• (Petition at 1(1)) presents no issue in this case, because *Lear* made no pronouncements on *res judicata* or on the public policy underlying that doctrine. The conclusion of *Lear* was that the technical requirements of contract law must give way before the demands of the public interest in the typical situation involving the negotiation of a license after a patent has issued (*Id.* at 670-71). A final judgment falls into neither the class of "typical", nor the category of "negotiations" contemplated by *Lear*.

The other questions of determination of patent infringement (Petition at 1(2)) and of the admissibility of the settlement agreement (Petition at 2(5)) are questions of fact which were generously considered and disposed of by the trial court. The ancillary question of whether a settlement agreement should be reviewed for misuse (Petition at 2(3) and (4)) merges into the admissibility question and was disposed of with that question. The Sixth Circuit affirmed those decisions.

II. This Is An Issue Between The Parties

The controversy has been and continues to be a purely parochial issue between Schlegel and USM. In February of 1972, USM was not a party to the original action but, in

• 395 U.S. 653 (1969).

THROUGH

what was then judged to be an honorable display of warrantor responsibility, USM voluntarily submitted itself to the jurisdiction of the Ohio District Court in order to give its protection to the then defendant, King Aluminum Corp. That voluntary submission could not have been obtained with either a shotgun or the sword of Damocles. The final judgment by consent with the determinations of validity and infringement followed. Unquestionably, USM, an organization sophisticated in the law, knew what it was doing and had reasonable conviction as to the validity of the patent and of its infringement of the patent to justify those admissions, and to accept an injunction as the inevitable.

The subsequent violation of that injunction by USM's making of the new form of weatherstripping became a subject for discussion between Schlegel and USM in the Spring of 1973. Those discussions were short lived and were terminated by USM filing an action in the South Carolina District Court on May 8, 1973, seeking a declaration of invalidity and non-infringement. Immediately thereafter, this Motion for Contempt was filed in the Ohio District Court as a first step in resolving the conflict between the continuing jurisdiction of the Ohio District Court and the invidiously invoked jurisdiction of the South Carolina District Court.

In the jurisdictional bouts that followed, both district courts heard the parties, with the Ohio District Court assuming jurisdiction over the dispute and summarizing USM's antics as having been "an exercise in frivolity" (A. 13). The Court was lenient in its judgment, for the clear (but misguided) purpose of USM in going to the South Carolina District Court was to abrogate the judgment and its injunction by avoiding the jurisdiction that issued it. The Ohio District Court corrected that digression and brought the dispute back to what it was, a purely parochial issue between Schlegel and USM.

BLEED THI

III. The Final Judgment Is To Be Given Final Effect

In *United States* v. *Swift & Co.*, 286 U.S. 106, 115 (1932), Mr. Justice Cardozo said:

> "We reject the argument . . . that a decree entered upon consent is to be treated as a contract and not as a judicial act."

That is still the law and it applies here. There is nothing in the petitioner's arguments which persuades that Judge Weinman's final judgment was just a contract, or that the defendant, USM, was just a contractee and not a litigant (*cf.* Petition at 5).

Nor is there any logical content to the petitioner's statement that "early contests on patent validity" would be encouraged by permitting a litigant to take a meaningless settlement so that he could postpone and delay a final adjudication of validity (*cf.* Petition at 6). The Sixth Circuit decision addressed and neatly disposed of that proposition (A. 33). Certainly it cannot be said from this vortex of conflict in 1976 that USM's devious conduct in 1972 of joining in a consent decree (which it now says it did not mean) was either exemplary or had the effect of encouraging an early contest on the legal issues involved.

Finally, the representation, that this Sixth Circuit decision affirming the *res judicata* effect of a consent adjudication of validity and infringement is in conflict with decisions of the Seventh Circuit, is simply not true (*cf.* Petition at 7). As the petitioner was forced to admit, the Seventh Circuit Court of Appeals, in *USM Corp.* v. *Standard Pressed Steel Co.*, 524 F.2d 1097 (7th Cir. 1975), its most recent opinion on the subject, has stated unequivocally:

> "The question . . . (of) whether a consent judgment adjudicating infringement as well as validity bars a party to a judgment from subsequently challenging the

validity of the patent, has not been decided by this Court." (Explanation added) (*Id.* at 1098-99)

There is no conflict with the decisions of this Court, or any other Court, in the Sixth Circuit decision holding that a final judgment by consent is to be given an effect of finality as between the parties.

IV. The Materials Prior to Final Judgment Were Barred

The petitioner's remarks about having been deprived the evidence of the settlement agreement, of misuse, and so forth, are without substance. The petitioner had no valid evidence to offer.

When the Ohio District Court identified the petitioner's antics as being an exercise in frivolity and assumed jurisdiction for purposes of hearing the motion on contempt, it advised USM that the law did not permit and that the Court would not permit collateral attacks on the judgment through the assertion of defenses that had been available to the litigant at the time that it entered into the judgment. Hence, the settlement documents from which the judgment evolved and any misuse based thereupon were to be barred. At the trial on contempt USM came forward with nothing by way of defense that had not been available to it at the time of entry of final judgment, wherefore, the settlement documents though reviewed, were refused entry into evidence. USM had barred itself.

The Sixth Circuit heard USM's complaints in that regard and found no error.

BLEED THROUGH

CONCLUSION

This case does not involve any unsettled questions of law; there are no conflicts in decisions between courts of appeals; there are no proceedings which call for the exercise of this Court's power of supervision; wherefore, there is no special or important reason for granting a writ of certiorari.

The petition should be denied.

Respectfully submitted,

JAMES M. WETZEL,
Wetzel, Greenawalt & FitzGibbon,
135 South LaSalle Street,
Chicago, Illinois 60603,
(312) 372-1655,
Attorney for Respondent.

Dated: March 11, 1976

BLEED THI

APPENDIX TO
RESPONDENT'S BRIEF
IN
OPPOSITION TO PETITION
FOR A
WRIT OF CERTIORARI

HROUGH

BLEED THROUGH

IN THE DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF SOUTH CAROLINA
ROCK HILL DIVISION

USM CORPORATION, Plaintiff, v. THE SCHLEGEL MANUFACTURING COMPANY, Defendant.	Civil Action No. 73-544 Order Staying Proceedings

This matter is before me on motion of David A. Gaston, and James M. Wetzel, attorneys for the defendant, The Schlegel Manufacturing Company, for an order staying the present proceedings and the time for answering or otherwise pleading. It appears from the record that there is presently pending in the United States District Court for the Southern District of Ohio a Motion for Contempt filed by The Schlegel Manufacturing Company against USM Corporation involving two of the same parties, the same patent (U.S. #3,175,256) and primarily the same issues of infringement as presented here.

The USM Corporation has filed a Motion to Stay in the Ohio action and The Schlegel Manufacturing Company has filed a Motion in the Ohio action asking the court to enjoin USM Corporation from proceeding before this court. The record indicates that the motions pending before the Ohio court have been briefed in depth by both sides. Thus, it appears that the current focus of the controversy between the parties is and has been centered in the United States District Court for the Southern District of Ohio. As the cross-motions pending in the Southern District of Ohio could dispose of this cause or at least establish an order of

precedence between the proceedings, as the issues here have not been joined here, and as it does not appear that the granting of the motion would unduly delay the final disposition of this cause, a stay of proceeding appears to be in the best interests of judicial economy. Therefore, it is

ORDERED: that the present proceedings be stayed and the time for answering or otherwise pleading be extended pending a decision on the Motion to Stay and the Motion to Enjoin presently pending before the United States District Court for the Southern District of Ohio. The Defendant shall report that decision to this Court within ten days of entry of the decision at which time appropriate proceedings will be had before this Court.

Robert W. Hemphill

Robert W. Hemphill
United States District Judge

Rock Hill, S.C.
Dated: July 10, 1973

CERTIORARI DENIED

BLEED THROUGH

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

THE SCHLEGEL MANUFACTURING CO., a Corporation, Plaintiff, v KING ALUMINUM CORPORATION, a Corporation, Defendant.	Civil Action No. 3706

Motion And Stipulation For
Joinder Of Additional Defendant

[Filed February 22, 1972]

USM Corporation, by its attorney, moves for leave to join this action as a co-defendant with King Aluminum Corporation, in order to join in the stipulated settlement and proposed Final Judgment between the parties, copies of which are attached hereto, on the ground that it is making and/or selling the pile weather stripping, series 892 and 893, which is referred to in the Stipulation and in the Final Judgment, and as such, should be a party to the final disposition of the action.

Date: February 11, 1972

Daily L. Bugg
Dailey L. Bugg
Counsel for USM Corporation

Consent:

Richard H. Evans
Richard H. Evans
Trial Counsel for Plaintiff

Dailey L. Bugg
Dailey L. Bugg
Trial Counsel for Defendant
King Aluminum Corporation

It is SO ORDERED this 22nd
day of February, 1972.

Carl A. Weinman
Chief Judge, United States District Court